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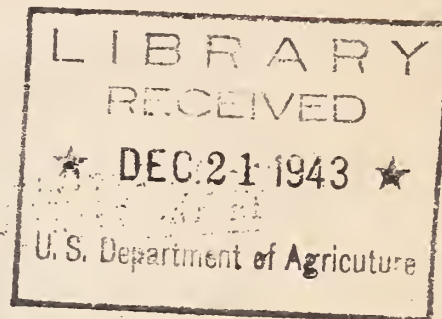
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COOPERATIVES
and
THE PROBLEM OF POST-WAR RELIEF AND REHABILITATION

Report prepared at request of the Office of Foreign Relief
and Rehabilitation Operations, Department of State

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Part I

Over-all Picture of Agricultural and Consumer Cooperation
in the Light of Post-war Relief and Rehabilitation

United States Department of Agriculture
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REPORT

INTERNATIONAL COOPERATIVE MOVEMENT 1946 TO PRESENT

Prepared by the International Cooperative Movement
for the United Nations Economic and Social Council

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PART I

OVER-ALL PICTURE OF AGRICULTURAL AND CONSUMER COOPERATION IN
THE LIGHT OF POST-WAR RELIEF AND REHABILITATION

I

Introduction

Producer and consumer cooperatives all over the world have reached a point of development where they cannot be omitted from any program of relief and rehabilitation. This is due to (a) the prominent role which cooperatives have been playing in the national economy of many countries of the world; (b) their importance in the production and the distribution of various commodities; and (c) valuable services which cooperative organizations may eventually render in the process of rebuilding normal economic relations among various countries of the world.

The purpose of this report is to make an analysis of various branches and phases of the cooperative movement in order that consideration may be given to the use of at least some parts of the movement in connection with relief and rehabilitation programs.

In referring to "cooperative organizations", business establishments organized with some or all of the familiar "cooperative principles" are meant, and not "cooperation" as used in a broad sense to denote working together toward a common goal. In other words, in the treatment of the theme only the "cooperative" is considered, and its possible role in programs of relief and rehabilitation is contrasted with other forms of business organizations.

Cooperative action gives proof of such flexibility, is so rich in its variety of forms, and differs in various countries to such an extent, that it would be impossible to adequately treat all phases and branches of the cooperative movement, in one paper, or to give a complete account of its development in at least some countries. More than that, it may be questionable whether a detailed description of every single "tree" of cooperation may help to give an over-all picture of the "forest" which it is necessary to have in order to answer a fundamental and principle question: to what extent cooperatives may be used and how they can contribute to the process of post-war relief and rehabilitation. Accordingly, an attempt was made to limit discussion to those aspects of cooperation which either may be decisive factors in answering the foregoing question, or are related to the problems of primary importance from the point of view of relief and rehabilitation programs (food distribution, medical relief, housing, etc.), or have far reaching implications from the point of view of international relations (for instance, international cooperative trade). In a few instances reviewing the characteristics of cooperative enterprise was considered as the best procedure to enable evaluation of cooperatives and compare them with private enterprises in the light of relief and rehabilitation problems. From a geographical point of view, an attempt was made to place emphasis on those countries which may come into the picture in rehabilitation programs in the first line. When, however, examples of

cooperative activities in other countries were considered more instructive and illustrative, no such limitation was found justifiable.

In view of the above, it is necessary to stress here that while on one hand it is hoped that the data presented in this report are sufficiently comprehensive to enable drawing objective conclusions and establishing certain principles for a program of action in the field under consideration, they are admittedly not adequate to develop specific cooperative projects in specific countries. It strongly is felt that a great amount of additional research and the preparation of a number of additional reports will have to be undertaken before it will be possible to proceed with practical plans based on complete knowledge of data, careful analysis of all features involved, and complete mastery of all the intricacies of cooperative developments in each given country.

II

Extent of the Cooperative Movement

In the course of its work, "the International Labour Office succeeded in tracing the existence of more than 800,000 cooperative societies in 102 countries and territories under separate administration", stated Maurice Colombian, Chief of the Cooperation Service, International Labour Office, in his introduction to the latest office's publication 1/. The pre-war reports of the International Cooperative Alliance in London listed as members 108,000 organizations in 39 countries with a membership of about 100 million, not counting 26,500 rural consumer cooperatives in the U.S.S.R. 2/. The annual business of consumer cooperatives amounted to approximately 33 billion dollars. 3/. In Europe, more than one-fourth of the population were members of one or another type of cooperatives. European cooperatives dealing with food distribution alone had, in 1935, a membership of 50 million and annual sales of some £800 million-value, while the agricultural cooperatives included 40 million farmers selling £ 440 million worth of goods. Forty three wholesales of the Alliance alone had a total yearly business of 9 billion dollars.

In Great Britain, cooperators spent \$1,204,000,000 at their retail stores in 1941. The London Cooperative Society alone has a membership of more than 700,000 families. Such cooperative enterprises as the gigantic English and Scottish Cooperative Wholesale Societies, plans for amalgamation of which are considered at present, have been the largest food distributors in their respective countries, serving 8,716,894 member-families through more than a 1,000 retail cooperatives. The annual trade of the English Cooperative Wholesale is 628 million dollars; that of the Scottish Wholesale amounts to 128 million dollars. They have foreign and colonial depots in America, Australia, Canada, New Zealand, Spain, West Africa, and hold capital in New Zealand Producers' Cooperative Marketing Association. They

1/ International Labour Office. The Cooperative Movement in the Americas. 1943.

2/ U. S. Government Printing Office. "Report of the Inquiry on Cooperative Enterprise in Europe, 1937".

3/ Idem. This includes also transactions of cooperative banks and credit societies, as well as cooperative housing.

own 35,249 acres of tea plantations in India and Ceylon, and cocoa and chocolate works in England. The value of their supplies of tea, coffee, cocoa and chocolate alone is over 30 million dollars a year. If these two cooperative organizations will amalgamate in the near future, they will make undoubtedly one of the world's largest food distributing agency.

The Beveridge Report makes special mention of the Cooperative Insurance Society for its low-cost operation and exceedingly rapid growth. According to the Report this Society increased its volume 373 percent in the 1937-40 period as compared with the 1912-17 base, making it the fastest-growing major insurance company in England.

The annual business of farmers marketing and purchasing cooperatives in the United States exceeded \$2,800,000,000 in 1941-42, according to the data of the Farm Credit Administration. Their total number amounted to 10,500 for the same period. According to the estimate of the Cooperative League of the U. S., marketing cooperatives are supplying one-third of all the food stuffs used under the Lend-Lease program. Approximately 20 percent of all petroleum products used on farms in the U. S. during 1942 were purchased through rural Cooperative Supply Societies. On March 1, 1943 the Farmers Union Central Exchange, South St. Paul, Minnesota, purchased an oil refinery at Laurel, Montana, with a daily capacity of 6,000 barrels of crude oil, -- the world's largest cooperative refinery. More recently, the Missouri Farmers Association, Columbia, Missouri, has contracted for the purchase of a refinery at Chanute, Kansas, having a pipeline system of 115 miles and a crude oil capacity of 1,500 barrels a day. The refinery at Cushing, Oklahoma, belonging to the Midland Cooperative Wholesale at Minneapolis, Minnesota, has 110 railroad tank cars and a storage capacity of 600,000 barrels of petroleum.

According to the Survey of the United States Department of Interior, Fish and Wildlife Service, fishery cooperative associations marketed nearly one billion pounds of fish, worth about 9 million dollars in 1936. This business constituted about 24 percent, by weight, of the fish produced by our fisheries and about 10 percent of their first-sale value. The investments of fishery cooperatives in plants, equipment, and other facilities amounted to about 5 million dollars, while their members had about 24 million dollars invested in boats and gear.

As to consumer distributive associations, the last survey of the Bureau of Labor Statistics revealed, in round figures, 54 federations with 51 branches and 4,500 local cooperatives with an estimated paid-up membership of over 1,427,000 and 146,000 partly paid members in 1941. Eleven thousand nine hundred and seventy eight workers were employed in 1,342 local cooperatives and 48 federations reporting on this question, the total amount of wages having reached \$17,878,553. The total business of consumer cooperation aggregated almost 461 million dollars in 1941. It was estimated at \$700,000,000 by the Cooperative League of the United States in September, 1942, of this, local cooperatives accounted for 356 million dollars, while the business of cooperative federations -- district, regional and interregional -- amounted to 105 million dollars. The total cost of goods produced by the wholesale and the central cooperative associations exceeded 14 million dollars in 1941. For the same year the total earnings of the cooperative

wholesales amounted to \$4,750,000 (of this \$3,680,000, was declared in refunds on patronage).

In May 1943, retail sales of the government-sponsored cooperatives in the ten Japanese-American Relocation Centers totaled about \$700,000 a month, while their estimated net earnings to date are more than \$400,000.

Practically the whole of the farming and agricultural marketing in Denmark is on a cooperative basis. In Sweden, Norway and Finland, the cooperative sector is a dominating factor of national economy.

In Yugoslavia, there were 4,909 credit cooperative societies, 1,960 supply and consumers' cooperatives, and 2,677 producers' cooperatives. They were grouped in 35 federations ^{4/}, supplying their members with 115 million dinars' worth of goods, and selling the agricultural products of their members to the value of 343 million dinars. The number of members of cooperatives in Yugoslavia reached 1,233,637 in 1938, that is 63 co-operators per 100 agrarian households.

Before the war, at least six million of the 15 million people in Czechoslovakia were members of cooperatives. There were 11,454 agricultural cooperatives of different types in operation in 1935, among them marketing and purchasing cooperatives with a volume of business equal to \$700,000,000.

In Roumania, the cooperative movement comprised 10,080 primary societies, of which 1,276 belonged to the Hungarian, German and other minorities at the end of 1938. The aggregate financial resources of reporting societies amounted to Lei 7,136,000,000. Credit societies were forming the most powerful branch of the movement, 4,525 Roumanian "People's Banks" having had 975,130 members and total capital exceeding Lei 5,000,000,000. At the end of 1939 over 2,000 consumer cooperatives were known to be in existence in the country.

Some idea of the strength of the cooperative movement in Poland may be gained from the following figures. At the end of 1938 there were 12,004 societies affiliated to the Auditing Unions, of which 7,199 were Polish, 3,272 Ukrainian, 768 German, and 765 Jewish. It was further estimated that there were over 1,000 unaffiliated societies. Divided into the various types, there were 2,659 rural consumers' societies, 1,552 urban consumers' societies, 1,323 cooperative dairies and 392 agricultural marketing cooperatives.

In Palestine, the Union of Consumers' Cooperatives includes at present 45 societies, exclusive of agricultural settlements. "Hamashbir Hamerkazi", the central supplying organization of the workers' agricultural settlements and of the consumers' cooperatives, increased its own capital to L.P. 127,000, while its business turnover amounts to L.P. 600,000 a year. The credit cooperatives have 26,000 members, while the Union of Production and Service Cooperatives includes 68 societies with a membership of 3,000 ^{5/}.

^{4/} Jugoslav Postwar Reconstruction Papers, vol. III, N6, p. 3.

^{5/} Histadzut Bulletin, Vol. 1, #4; April 1943.

In China, according to the Secretary of the Cooperative League of China, the number of cooperatives reached, in round figures, 170,000 with a membership of 10,000,000 by the end of 1942. The 1939-40 report of the Reserve Bank of India indicates 105,160 cooperative associations of various types in 1938-39.

As to Latin American Republics, probably in no other part of the world, with the possible exception of China and India, has the cooperative movement made such remarkable progress during the last decade. According to official statistics 761 consumer cooperatives, with 57,373 members and a capital of \$2,316,422, and 1,066 producers' cooperatives, with 33,217 members and a capital of \$10,401,694 were operating in Mexico at the end of 1941 6/. In Chile, there were 43 consumers' cooperatives with 74,565 members, 40 agricultural cooperatives, 49 small farmers' cooperatives in 1940 7/, and 50 cooperative societies for recent settlers 7/. In Brazil, there were more than 1,000 cooperatives of various kinds at the beginning of 1941. Two hundred and sixty of them, with 60,000 members, were in the State of Sao Paulo. At the end of 1941, there were 60 rice-growers' cooperative societies in Ecuador, and 196 cooperatives with 43,760 members in Columbia. In June 1940, there were 646 cooperatives functioning in Argentina, comprising, among others, 76 consumer cooperatives, 70 electricity cooperatives, 164 wheat marketing cooperatives, 36 cooperatives for marketing wine and fruit, 96 cooperative dairies, and 63 credit cooperatives 8/.

III

Cooperation and State

The cooperative organization is essentially a form of voluntary self-help. Each cooperative, therefore, should be the result of spontaneous endeavor on the part of its original members. At the same time, the world seems to have rarely provided satisfactory conditions for the development of cooperatives, unless the State passed a special fundamental law for the regulation of their activities and protected their property and freedom of economic action. Under the system of modern economy, the relationship between cooperation and State becomes, therefore, a matter of definite pragmatic necessity and mutual advantages, rather than a means for the realization of any dogmas and theoretical principles. Cooperatives, while accepting support and even financial assistance from their governments, still tend to emphasize their independence as self-help organizations. The government, on the other hand, usually uses cooperatives as a channel through which it may plan and control production, marketing and distribution, with a minimum of direct regulation and policing as well as with a minimal staff of officers to enforce its orders. Thus, in the countries where the cooperative movement reached a very high degree of development, the public authorities, instead of creating new institutions to control the market, have thought it better to utilize directly the existing cooperative organizations and call upon them to play a part in new programs. In old Austria, the Union of Agricultural Cooperative Societies of Lower Austria had the exclu-

6/ Data obtained from Prof. Jose Gonzalez Padilla, Chief of the Office of Consumer Cooperative Statistics, Mexico, D. F.

7/ Source: The series of international shortwave broadcasts made during the summer of 1942 over Station WRUL, Boston, in cooperation with the International Labor Office.

8/ Data obtained from Bernardo Delom, President of the Argentine Federation of Consumer Cooperatives, Buenos Aires.

sive right to import rye under the supervision of a special commissioner. Among the measures recently taken to mobilize the economic resources of Brazil in wartime, was the Decree of November 4, 1942, issued by the Coordinator of Economic Mobilization and concerning the organization of the mate economy. As a first step to achieve the aim it provides for a plan to further the development of cooperatives among mate growers.

In Norway, the Cooperative Central Office was required to carry out all the measures prescribed by the public authorities regarding the pork and mutton industries.

In Poland, the Ministry of Education instructed the school authorities, in 1933, to encourage the growth of school societies dealing in school articles. The number of such societies reached 3,500 in 1933.

In Sweden the Government uses the overseas agencies of the Swedish Cooperative Wholesale for the import of goods both to cooperative and to private commercial enterprises. In 1939, the Swedish Cooperatives bought 12 million dollars worth of strategic materials on the world market, which helped all of Sweden through the crisis. Cooperatives have joined with the textile industry to start a new cellulose plant which furnishes material for Swedish Soldier's uniforms. Raymond Clapper, in a syndicated story appearing in the New York World Telegram, May 7, 1943: "There is some black-market activity, but cooperatives are so widespread that marketing is all pretty much under control".

In almost all Latin American Republics the governments have recently established special departments on cooperatives to foster their growth and give them all possible encouragement and support. Colombia has put Cooperative Societies on an equal status with public utility undertakings. The government conducts extensive educational programs in cooperation in State of Sao Paulo, Brazil. With assistance of the governments special cooperative institutes were established in Peru and Venezuela, and courses on cooperation were introduced in the Universities of Bogota, Buenos Aires, La Plata, Cauca, Quito, and Guayaquil. In Peru, cooperation is taught in the State rural schools.

Importance of the cooperative enterprise in many countries was recognized by the State not only de facto, by assigning to them a prominent role in various phases of economic life, but also found expression in open endorsement of their aims and principles, by individual statesmen speaking in both a personal capacity and in behalf of their governments.

As candidate for the office of the President of Peru, Manuel Prado stated, "one thing demanded by our agricultural production is the setting-up of the cooperative system".

"The Coop. Movement is quickly advancing with much more vigor than is generally believed," said Dr. Edward Santos, President of Colombia, at the opening of the Parliament in 1939. "This important fact necessitates a decisive effort to further advance the work, instead of an attitude of passive acceptance of it..... It is up to the government to assist it in a firm and methodical manner".

In 1926, Pedro Aguirre Condor, President of Chile, wrote: "It is our duty to study our position and how it can be improved by means of cooperation". On October 29, 1941, Dr. Daniel Amadeo Y. Videla, the Minister of Agriculture of Argentina, proclaimed: "....the part played by the Societies is already important in our economic system..... It is the sincere desire of the government to give unlimited support and encouragement to the cooperative movement in view of the eminently constructive nature of the movement". In China, Dr. Sun Yat Sen, in his "Regulations Governing Inauguration of the Local Government", published in 1919, directed local governments to organize various cooperatives.

In his message to the National Assembly in 1940, President of the Philippines, Manuel L. Quezen stated: "The government has been giving impetus to the organization of cooperatives for consumer, producers.... the successful operation of these cooperatives will aid in a great measure in the solution of our economic problems and in the ultimate stabilization of our national economy". At the conference sponsored by the International Committee for Coop. Reconstruction, Washington, D. C., March 29, 1943, Dr. Urbano A. Zafra, Chief of the Commercial Division of the Office of the Philippine Resident Commissioner, stated: "The co-operative system in the Philippines was adopted by the government to meet the peculiar conditions which will have to be met in order to cope immediately with the eventual loss of the preferential status of Philippine products in the United States." "Proponents of this program hope to accomplish reduction of the cost of production without impairing the standard of living of the people by keeping the cost of handling the produce at a minimum, increasing the yield of the land, improving the quality of the product, and reducing the producers' cost of living." Dr. Zafra represented the Hon. Sergio Ormena, Vice-President of the Philippine Commonwealth at the Conference.

The following words of the Royal Commission on Agriculture, describe the relation of cooperation to the wider problem in India: ".....wherever agriculture is predominant industry, cooperation is coming to be regarded as the natural basis for economic, social, and educational development; and India is no exception." 9/

On November 26, 1942, speaking to commons of the future economic development of British Colonies, Harold MacMillan, Under Secretary of State for Colonies in Britain, urged study of cooperatives as a possible pattern for use in post-war reconstruction. "In every land", recently said J. C. Winant, U. S. Ambassador to England, "on which the blade of Hitlerism and Fascism has fallen, the Cooperative Movement ...will have a great opportunity ... to stretch out a friendly and helping hand." 10/

In the U. S., the 1924 Report on Cooperation in Foreign Countries of the Federal Trade Commission recommended that "Retail Consumers" Cooperative Societies be promoted in the thickly populated rural districts of the U. S."

9/ Quoted from "Reserve Bank of India. Review of the Cooperative Movement in India, 1939-40". Bombay, 1941, p. 85.

10/ Quoted from "The Cooperator" Vol. VI, #8, p. 5, April 19, 1943.

In his preface to the booklet "The Cooperative Movement in the Americas"
11/ Vice-President Henry A. Wallace writes:

"The philosophy of the future will endeavour to reconcile the good which is in the competitive, individualistic, and libertarian concepts of the nineteenth century with the co-operative concepts which seem to me destined to dominate the late twentieth century.

The society of the future, it seems to me, will not only emphasize the co-operative welfare as contrasted with individualistic competition, but it will emphasize life as contrasted with mechanics. The co-operative philosophy is the vital idea of the twentieth century that is bound to translate itself in time into the hard facts of social mechanisms and reality. Nothing is more important than that more and more people become actively imbued with the idea of a co-operative society.

To-day we need a great many more persons who will become as deeply motivated by the idea of a co-operative economic society as the young men of 1776 and 1787 were motivated by the idea of a democratic political society. The one is the living stream of thought for the twentieth century as the other was for the eighteenth."

In a message sent to the first annual convention of the National Rural Electric Cooperative Association, St. Louis, Missouri, January 19, 1943, President Roosevelt stated: "...it (cooperative electric service) represents an expansion of what is perhaps the most democratic form of business enterprise, one in which the individual finds his greatest gain through cooperation with his neighbors".

Considering cooperation on the international scale, the following statement found in the conclusions of the League of Nations report prepared for the European Conference on Rural Life, 1939, may be profitably quoted: 12/

"What is required is that it (the government) give the cooperative institutions, where necessary, not so much direct financial assistance, as moral and technical support.give these organizations their place in every general scheme to organize moral credit, regulate the market in agricultural products and control the conditions of production.... (Cooperative organizations) would provide a valuable safeguard both against non-improvisation and against spiritless routine."

11/ Symposium released by the International Labor Office, Montreal, 1943.

12/ League of Nations. European Conference on Rural Life 1939. "Cooperative Action in Rural Life". Geneva, 1939, pp. 41-42.

IV

Cooperatives and the Distribution of Foodstuffs

Cooperative distribution of food represents one of the main phases of activities of consumers cooperatives. Taking into consideration that distribution of food is always one of the main aspects of relief, its proper and efficient organization becomes one of the essential points in any program of post-war relief and rehabilitation. The experience of consumer cooperatives working on a non-profit basis cannot, therefore, be disregarded, especially in view of the fact that cooperative trade in food accounted for substantial portions of the total retail business in many countries, and was assuming ever increasing importance in the international markets.

In view of the fact that the consumer cooperative does not constitute, as a rule, a definite line of business, it is rather difficult to estimate what percentage of the total trade of distribution cooperatives represents distribution of foodstuffs. It should be borne in mind that cooperatives are not organized for the purpose of operating a line of a definite combination of merchandise. In its embryonic state a cooperative store already shows characteristics of a department store. As a rule, the members of coops, if successful in handling one line of merchandise, are inclined to branch out into other lines. Many coops having started with the dairy business went into groceries, while the other coops reversed the process. It may be roughly estimated that in the United States about 40 to 50 percent of the business of the group "cooperative stores and buying clubs", is in foodstuffs. In case of retail distributive departments of farmers marketing associations, sales in food constituted probably not more than 10 percent.

Bearing in mind that there are no complete statistics available on cooperative trade in various commodities, although most of the consumer cooperatives emphasize food heavily, the following figures may illustrate to a certain degree the role of cooperatives in food trade in various countries. In 1936-37 consumer cooperatives accounted for 12 percent of the retail business in Great Britain, 10 percent in Sweden, 25 - 30 percent in Finland, 10 - 12 percent in Switzerland, and nearly 25 percent in Bulgaria. The Danish consumer cooperatives controlled 17 to 20 percent of the trade in articles dealt in by cooperatives. In Scotland approximately 50 percent of milk was distributed under a cooperative milk-marketing scheme. In Czechoslovakia, 87 percent of all cereals were handled by marketing cooperatives which operated 38 mills before the German invasion. Eighty-four percent of the rose trees produced in Bulgaria for the export of attar of roses were produced by cooperatives functioning under the supervision of the Bulgarian Agricultural and Cooperative Bank. Seventy-two percent of Bulgarian cotton was marketed cooperatively.

Such cooperative organizations as English and Scottish CWS have been the largest food distributors in their respective countries, serving almost 9 million member-families and having an annual turnover of \$750 million. In 1939 the cooperative movement in Great Britain handled 14.1 percent of the nation's retail trade in foodstuffs and other groceries; 9.1 percent - boots and shoes; 6.6 percent - women's and men's wear; 13.8 percent

- coal; and 3.5 percent - furniture and hardware. Mr. R. A. Palmer, the General Secretary of the Cooperative Union estimates that cooperative societies are transacting one-fourth of the trade of the country at the present time 13/.

Cooperatives in International Trade.- In many countries the development of cooperation long ago reached a stage at which the cooperative business would have been hampered unless it has been extended to the international exchange. This is why participation of cooperative organizations in international trade even before the last war was not a question of experiment and improvisation, but a matter of pragmatic necessity. And the practice showed that cooperative organizations could be no less successful in their international transactions than they were in their activities in domestic production, marketing and distribution.

The English and Scottish CWS have at present foreign and colonial depots in America, Australia, Canada, New Zealand, Spain, West Africa. They own tea plantations in India and Ceylon. They were importing in peace times, American products valued at millions of dollars annually. In 1938-39 the English CWS imported close to 2,000,000 bushels of Oklahoma wheat, provided by a marketing cooperative in Enid, while the United States consumer cooperatives wholesales were shipping petroleum products to the national wholesales of Sweden, Bulgaria, Esthonia, the Netherlands, France and Scotland, and farmers' marketing cooperatives -- wheat, dried fruits and vegetables, eggs, milk products, cotton and seeds. The English and Scottish CWS were also supplying the Danish, German, French, Italian and Belgian cooperatives with tea, biscuits, soap, dress material, etc., while the Swiss Wholesale Society supplied British, German and French cooperatives with cheese. The Danish Agricultural Societies were shipping their products to cooperatives in Great Britain, Belgium, Switzerland and Germany.

Before the war, the Chilean cooperative dry fruits (cooperative fruit societies in La Cruz, Angol, and Elgui) and dairy products (the Cooperative Dairy Plant at Colchagua) begun to reach European markets. The French consumer cooperative organization "Sodéc" was in direct contact with producer cooperatives in North Africa. The English and Scottish CWS, purchasing vast quantities of Canadian cooperative wheat, are members of the Canadian Cooperative Union and sell British-made commodities to Canadian cooperatives. The cooperatives in British Columbia, combining the marketing of fish with the operation of stores for the distribution of domestic merchandise and materials for the fishing industry, established in 1939 a collective buying agency with the English CWS. This CWS has also very extensive relations with Australian cooperation, particularly with the West-Australian Farmers, Ltd., as well as with the "Overseas Farmers' Federation, Ltd."; to which the latter Australian organization belongs and which markets produce in Great Britain. Also the New South Wales CWS has carried on inter-trading with CWS.

Cooperative exports and imports of a number of agricultural commodities constituted a considerable percentage of the international exchange in the

respective goods. Thus, in 1939 the Canadian Wheat Pools were marketing practically all the wheat produced for export in Canada. The proportion of trade handled by the importing and exporting cooperatives in Denmark exceeds 90 percent in the case of some commodities. The greater part of the production of Australian wheat, dairy produce, meat, and fruit is marketed cooperatively. Cooperative dairies in Western Australia controlled 55 percent of the butter production and 75 percent of the butter exported. In New Zealand virtually all of the butter and cheese production is organized cooperatively, and as early as 1926, 92 percent of the New Zealand export of butter was handled by cooperatives. The New Zealand Produce Association, owned and controlled jointly by the English CWS and the New Zealand Cooperative Marketing Association is an organization for selling New Zealand produce in Great Britain. In 1925, around 75 percent of the butter imported to Great Britain was exported by cooperatives in Denmark, Australia and New Zealand. In 1936, consumer cooperatives in England handled 23.8 percent of imported butter, 21.6 percent - cheese, 14.8 percent - wheat and flour, and 13.6 percent of imported bacon and ham.

The Danish Cooperative Bacon Trading Co. was the main seller of bacon in Great Britain. From 40 to 65 percent of the producers of dried raisins in Peloponnes and Vostizza (the main regions of this production in Greece) were organized in the cooperative "Comptoir Central du Raisin de Corinthe", shipping the produce directly to French cooperative wholesales. After the last war the value of sales of raw products by the Japanese silk cooperatives exceeded 43 million dollars annually. According to the estimates for 1939 the Pardess Syndicate of Palestine Citrus Growers Cooperative Society, Ltd., was expected to control 55 percent of the country's total citrus exports. The Finnish central cooperative agency "Valio" exported in 1926 between 70 and 80 percent of the total butter export of the country.

In the export trade of Iceland, cooperatives have attained a predominant position, handling the whole export of frozen lamb and 80 percent of the total meat export of the country.

In Yugoslavia, the general Federation of Cooperative Unions established in 1939 a special section for the export of livestock and poultry and for some years before the war 40 percent of the country's export in these commodities was cooperative export. The cooperatives played an important part in the export of wine and fruit, and also exported 28 percent of all exported grains.

Sixteen percent of Bulgarian export of live pigs, cattle, poultry, and lard (mostly to Germany) was cooperative export. Bulgarian cooperative tobacco was reaching Hamburg, Vienna and Budapest.

A single cooperative organization "Coopérative des Agrumes de Boufarik" in Algeria controlled over 25 percent of the export production of oranges in the country which was shipped to France. In 1926, the Hungarian Cooperative Federation "Biene" exported 63 percent of the country's export of honey, while products of the Canadian "Ontario Honey Producers Cooperative Ltd." were sold in Germany and Holland.

Cooperative associations of lobster fishermen in Newfoundland marketed cooperatively one million pounds of fresh lobster in 1941, mostly in Boston, U. S. In addition a considerable quantity of salmon was marketed cooperatively.

The Jamaica Banana Producers' Association, Ltd., a cooperative organization of about 15,000 growers of bananas, from its inception in 1928 ran its own shipping line, operated its own marketing organization in the United Kingdom and Europe, and handled from 25 to 30 percent of the Jamaican output of bananas.

International Cooperative Trading Agencies.- Before this war there already were several cooperative organizations having international trade as a sole objective of their activities. International Cooperative Wholesale Society in Manchester, England, should receive first mention, although this organization was a federation of cooperative wholesales for the promotion and encouragement of international cooperative trade, rather than a trading agency itself. It was formed in 1924 and was represented on the International Committee for Intercooperative Relations established in 1931 at the International Labor Office in Geneva. (The latter Committee, in turn, was acting as a liaison between the cooperative movement and official international institutions, and as a promoter of economic relationships between consumer and agricultural cooperatives.) International Cooperative Wholesale Society was instrumental in promoting joint purchase of dried fruit through the agencies of the English OWS in New York and the Near East. It became also a first step toward establishing, in 1937, the International Cooperative Trading Agency, Ltd. in London. The latter acted as purchasing agent for its members and negotiated the sale of cooperatively produced merchandise and raw materials. Central cooperative wholesales of Belgium, France, Switzerland, Czechoslovakia, Poland, Bulgaria, Holland, Sweden, Finland and a few other countries were its members.

The Overseas Farmers' Cooperative Federations, Ltd., representing cooperative associations and federations in Australia, New Zealand, South Africa, Rhodesia and Kenya, was established in 1921 to purchase for cooperatives in the Dominions and British colonies, the farmers' requirements and sell their products. It also was rendering insurance, shipping and financial services. Empire Dairies, Ltd. was its subsidiary organization. From 1921 until March 1939 the agency transacted trade of over £ 115,000,000. In 1938-39, under war conditions, this O.F.C.F. was chosen by the Commonwealth Government to act jointly in undertaking the marketing of the Australian wheat crop in Europe.

The Scandinavian Cooperative Wholesale, formed in 1918, was the oldest international cooperative wholesale of the European continent. Its original members were Swedish, Danish and the Norwegian cooperative wholesales. Both central Finnish wholesales joined later. The organization was acting as purchasing agent. It maintained direct contracts with coffee producing and exporting firms in Brazil, Java and Central America. Grain and flour, particularly American wheat flour; rice from Spain, Italy and India; oranges, apples, prunes, and apricots, purchased directly from producers

in California and Oregon; sago, tapioca, and vegetable oils, were chief items of the wholesale's transactions.

Among other international cooperative organizations one should mention Bulgarian-Hungarian Cooperative Association established in August 1940, and the Balkan Cooperative Transport, -- a joint federation founded in 1939 through the efforts of Bulgarian-Yugoslavian Cooperative Institute.

V

Advantages of the Cooperative Methods from the Standpoint
of Food Relief and Rehabilitation Programs

Numerous reasons justifying the use of the cooperative enterprise within the scope of measures directed toward efficient organization of food relief may be summarized as follows:

1. The existence of a group of well-distributed cooperative shops with warehouses, elevators, processing and packing plants, dairies, bakeries, slaughterhouses, etc., linked in many countries to regional and national central cooperative organizations, should be of great value in reconstructing a system of food marketing and distribution. The position of the Cooperative Movement in occupied countries ranges between complete liquidation and more or less normal commercial activities and considerable expansion, although in every case cooperatives are under strict governmental control. In many cases cooperatives are still the main agencies for distribution. It may be possible to return them to the former members as going concerns and reform them into bona fide cooperatives.

2. Cooperative organizations, especially those of farmers, are widespread. They would always be, therefore, valuable agents for local supervision of food distribution and delivery, as well as in giving detailed estimates of the local consumer needs and producer potentialities. They are in permanent touch with those whose requirements they supply. They are acquainted with their way of life, their purchasing power and the way in which they spend their income. In many countries of the world, especially in the rural districts, the cooperatives will be the only agencies through which the large mass of the population could be reached directly. And no agreed policies of joint action can be carried out without collaboration of the people. Cooperatives will be the obvious agencies for distribution of food, since they do not represent any political, racial or sectarian groups.

The following statement made by E. J. Phelan, Director-General of the International Labor Office, may be quoted here profitably: "Cooperative organizations have covered Europe with such a vast network that they appear among the most efficient agencies available for such relief work. The fact that they usually cater for the needs of the low income families would make them particularly suitable for relief purposes. Their experience, their disinterested attitude and their democratic structure should win them the confidence of all parties concerned. I should like to go further: They must have their share in the huge and manifold work of the reconstruction to come" 14/

14/ Quoted from "The Cooperator", Vol. VI, N8, April 19, 1943, p.5.

3. The fact that cooperative societies, both producer and consumer, could rely on the ready-made loyalty of their members will greatly strengthen their position and reduce the necessity of governmental support to the possible minimum at the difficult period of transition.

4. While the technical efficiency of private distributing machinery in the United States is a matter of fact, in many other countries of the world the cooperatives are credited with leadership in rationalizing technical methods of marketing and distribution. For instance, the "Cooperative Bulk Handling, Ltd." formed by Westralian Farmers, Ltd. and the Wheat Pool of Western Australia in 1939, was providing wheat marketing services at a cost below that of any other bulk marketing scheme in any wheat-exporting country of the world.

5. Experience with cooperatives in countries where the cooperative movement is mature, indicates that they easily develop into centers for clearing local trade in agricultural products, eliminating unnecessary transportation and cross-handling of agricultural commodities.

6. Question of organizing adequate crediting of trade in foodstuffs will undoubtedly be one of primary importance in rebuilding healthy national economies and system of international food distribution. Creditability of individual entrepreneurs in countries under Nazi occupation at present, will be very insignificant in view of the destruction of property and impoverishment of the population. Only rendering credit to cooperative organizations under collective, and eventually unlimited, responsibility of their members may represent a safe investment for private control. In transitory period, only through cooperative organizations negotiating for such a credit will be probably possible in countries where food production and distribution have to be restored to normal.

7. Tremendous demand for foodstuffs on the world market and technical difficulties of trade in the transitory period will undoubtedly tend to unreasonably increase margins and push prices up. It would be unwise to expect that cooperatives can fix prices out of line with supply and demand conditions. At the same time the experience of the countries where the cooperative movement is mature shows that agricultural producers' cooperatives contribute to stabilization of prices, while consumer cooperatives lower cost of distribution. An international survey sponsored in 1935 by the International Cooperative Alliance, as well as inquiries made by the International Labor Office, ^{15/} proved that the margins of costs in cooperatives stores compares favorably with that of private stores in those countries where such comparison can be made on the basis of objective data. An inquiry undertaken, in 1939, by the Bureau of Business Research, Harvard University, in regard to consumer cooperatives in the United States showed that:"whatever the reason, cooperatives may have introduced

^{15/} For instance: "League of Nations - International Labor Office, International Economic Conference, Geneva, May 4, 1927. Documentation. Results of Certain of the Inquiries for Instituting a Comparison Between the Retail Prices in Private Trade and Those of Distributive Cooperative Societies." Geneva, 1926.

some economics in retail distribution. Although the cooperative stores did not have lower percentage occupancy costs than privately-owned stores of similar character, they did have conspicuously lower costs for pay roll, advertising, miscellaneous expense, and total expense" 16/.

Using the cooperative enterprise as a channel for the distribution of food and as the corner stone for building normal distributive machinery, will not preclude employing other methods within the scope of any food plans. At the same time, the above enumerated advantages of the cooperative distributive system are so evident, that in making a choice between a cooperative and non-cooperative system it probably would be more logical to raise the question as to why cooperatives should not be used, than as to why they should be employed.

VI

Cooperatives and Nutrition Programs

It is generally accepted that a sound nutrition program should constitute the foundation for any comprehensive food relief and rehabilitation scheme. More than that: food consciousness of the part of the people and at least an elementary popular education in the field of nutrition are considered at present one of the prerequisites for "freedom from want" in the world of the future.

Cooperatives are well-placed to carry on necessary popular education in the field of nutrition. Education of members constitutes one of the cooperative principles. As early as 1927 the International Cooperative Women's Guild prepared a special report on food values and food purity, approved later at the Conference of the Guild. The Conference, among other resolutions, urged all its affiliated national guilds "To arouse public opinion on the need for pure and nourishing food and the good quality of cooperative productions by organizing, jointly with other bodies where possible, a national 'Good Food' campaign" 17/.

Cooperative testing and appraising of consumer goods, introducing of special cooperative brands, providing information about quality, standards, and grades, are some of the measures taken usually by cooperatives to educate their members as consumers and to help them to get better value for their money. In the U. S. cooperative consumer food stores pioneered in the use of government ABC grade labeling, instituted a balanced diet campaign to popularize the use of nutrition information, and established a number of testing kitchens.

16/ Carl N. Schmaltz. Operating Results of Consumer Cooperatives in the U.S. in 1937. Harvard University, Bureau of Business Research, Bulletin No. 108, 1939.

17/ International Cooperative Women's Guild. Good Food and How to Get It. An International Report on Food Purity, Food Value, and the Cooperative Movement, 1927, p.20.

In the Federated Malay States and India, the Better Living Societies or, as they are now generally called "Dehat Sudhar", or "Village Reform" Societies may serve eventually as the only possible channel through which any popular educational program in the field of nutrition could be developed among the natives. "These societies should form the nucleus of rural development and uplift activities", state the Report of the Reserve Bank of India for 1939-40 ^{18/}. Practice of "food loans" established by cooperative credit societies in Ceylon, in the villages where purchase and sale are generally conducted on what is virtually a barter basis, can also be of interest from this point of view.

The question of rationing food, clothing and household goods affects housewives more directly than anyone else, and their attitude will largely determine that of the nations' families and, in consequence, the national and international outlook of the people. Consumers' cooperation, whether it wishes to be so or not, is always to a large degree a housewives' movement. Not only do housewives constitute a major portion of the members, but cooperatives also mobilize their economic influence through the women's cooperative guilds, -- an integral part of the cooperative movement in all countries with a well developed system of cooperation.

In 1921, national organizations united into the International Cooperative Women's Guild. It maintains its central office in London, and 17 national women's guilds were affiliated with it in 1941. The Guild collected information as to what action will be needed on the part of women within relief and rehabilitation programs and, in April 1943, issued a special memorandum on post-war relief. It is circulated at present among affiliated national guilds.

In cooperation with the Guild the Association of Girl Guides in Great Britain is arranging an international post-war service for girls over 18, who are being trained to act as mobile units ready to go wherever they may be needed and do anything required of them. The Governments of Greece, Poland, and Yugoslavia have already indicated their readiness to accept the services of such units, and teams are being formed whose members are learning one or the other of the three languages.

A substantial contribution which women, organized in cooperatives, may make to relief and rehabilitation programs in general, and toward developing nutrition education especially, should not be underestimated.

VII

Cooperative Colonization and Shifts in Agricultural Production as Phases of Relief and Rehabilitation Programs

Discussion of cooperative agricultural colonization as such and the role of cooperatives in long-range shifts in agricultural production would be beyond the scope of this report, as they are closely tied up with comprehensive world food-plans rather than with programs of relief and

^{18/} Reserve Bank of India. Review of the Cooperative Movement in India, 1939-40. Bombay, 1941. p.50.

reconstruction. At the same time, however, the problems of occupational adjustments, the question of millions of refugees, and the importance of emergency measures directed toward immediate increase of production of foodstuffs in reoccupied territories, may necessitate taking steps closely related to long-range food-plans. It is significant that in March 1942 the Government of Ecuador made an appeal to cooperative organizations for the reconstruction of the Eastern provinces devastated by the war with Peru. Also, in France the government of Petain during the first few months of its existence called on farmers' cooperatives for their assistance, a step taken simply as an emergency measure directed toward immediate increase of and shifts in agricultural production.

Cooperatives are well-placed as an instrument to advocate of certain shifts in agricultural production. Cooperative land settlement and colonization societies may be of special importance in the field of occupational adjustments in agricultural populations, development of agricultural resources, reclamation of land, redirection of agricultural production, and consolidation of land holdings in countries where such consolidation is essential for the improvement of economic conditions.

The rehabilitation experiment with cooperative ejidos in Lagune Region, Mexico, is one of the largest projects of this nature in the world. Although it would be too early to make a final evaluation of the achievements of these communal land-owning societies, their role in the increase of agricultural production and yields in Lagune Region, in the improvement of methods of tilling and mechanization, cannot be overestimated. Only these societies made it possible for the Mexican National Bank of Ejidal Credit to plan the choice of crops, to take measures to end dependence of the region on cotton only, to increase sowing of wheat from 7,000 hectares in 1936-37 to 44,000 hectares in 1939-40, and to introduce cultivation of a number of fruits and vegetables for sale.

In Palestine Jewish agricultural cooperative settlements did make it possible to turn to the production, under irrigation, of green fodder, such as clover, lucerne, and vetches, in order to develop the dairy industry. Cooperatives of livestock insurance type, cooperative dairies and poultry cooperatives had such success in Palestine, that their activities and products are famed throughout the Near East. The Jewish Cattle Breeders' Association did outstanding work in increasing the yield of milk per cow and fat content. Unknown in Palestine before the World War, banana plantations of the cooperative settlements were covering, in 1937, several thousand acres, while the cooperative Bigneronne was marketing over 80 percent of all the wine of Palestine, having cellars with a capacity of over 2,113,000 gallons. Agricultural cooperatives introduced production of celery, asparagus, and very recently, higher-quality mushrooms brought from England.

The so-called "Antigonish Movement" and the program developed under the leadership of the Extension Department of St. Francis University, to rehabilitate farmers and fishermen of Nova Scotia, is another example of the application of cooperative methods of work.

In Italy, there were, in 1937, 543 cooperative societies of agricultural laborers for the purpose of obtaining the use of land for cultivation ("Affittanze Collective" and "Mezzadria Terzeria Collectiva").

Irrigation societies in Marrakech and Sous, Morocco, also are cooperatives in the field of land reclamation. A number of cooperative schemes concerned with developing the growth of various crops was started by the government in Jamaica in 1939. A good start with cooperative societies for colonization and distribution of land was made in Chile (for instance, Santiago group near San Bernardo). About 50 of such cooperatives were recently in the country. In July 1942 the first National Congress of these cooperatives took place in Santiago in the presence of the Minister for Land Settlement and the Director of the Land Settlements Fund.

The Cooperative Refugee Settlement in the Dominican Republic belongs to a similar type of cooperative endeavor.

It is generally recognized that in India, very small, split up and scattered agricultural holdings were among the causes precluding the introduction of better methods of cultivation, hindering agricultural improvements and entailing waste of time and energy. The Punjab was the first province to attempt to bring about cooperative consolidation of holdings. The movement began in 1920-21. By the end of the year 1938-39 there were 1,477 cooperative consolidation-of-holding societies. In its review of cooperation the report of the Reserve Bank of India for 1939-40 states that "...consolidation has stimulated agricultural improvements and raised the value of the land.... the good results achieved in the Punjab naturally attracted the attention of other provinces and some progress has been made in this direction in Madra, the United Provinces and the Central Provinces and Berar." 19/

German experiments in occupied Yugoslavia are also rather significant from this point of view. The so called "Gospodarska Sloga" were founded in Croatia in 1935, as the economic branch of the Croatian Peasant Movement. They were a type of universal agricultural cooperatives through which it was hoped to improve and increase agricultural production. Within a short time they embraced 5,000 village branches with 230,000 cooperators. In their attempts to readjust local agriculture to the needs of war, the Germans decided not only to support the movement, but at once to install commissaries in the "Sloga" through the services of the quisling Government of Croatia, and tried to introduce compulsory membership. Such a "training in collaboration" only promoted organized sabotage and lead to the failure of pro-German authorities to get any results. In 1942 the quisling Government in Serbia also tried to found a system of compulsory cooperation in order to achieve immediate shifts in agricultural production and to increase agricultural output. Each group of five small holdings had to form a cooperative unit which was to cultivate the fields and produce collectively. The measure did not bring any substantial results in view of the hostility of the population. In both instances, however, the measures accepted in Yugoslavia have illustrated that regardless of the differences in principles underlying various economic system, cooperatives are always considered as an effective instrument for realization of emergency measures in the field of agricultural relief and rehabilitation.

VIII

Conclusion: Cooperatives and the Problem of "Individual Enterprise Versus Collective Enterprise"

It is often stated that the way in which relief is organized and administered can prejudice or assist permanent rehabilitation, from both social and economic standpoints. In the light of this statement any program of world relief and rehabilitation should be based on three cardinal principles: (1) full harmony with the basic ideals for which world democracy is fighting at present and which are proclaimed in the Atlantic Charter; (2) sound foundation of technical efficiency, the means of achieving which to a great extent will be predetermined by local conditions, a realistic attitude toward the facts as they are on the part of rehabilitation authorities, and economic necessities; rather than by any preconceived ideas; and (3) the moral right of the people to adopt, in accordance with the principles of democracy, those devices and methods of self-help which they themselves consider the best suited to their country.

Any discussion of the above theoretical foundations of world relief and rehabilitation programs is, of course, not the purpose of this report. In view of the fact, however, that cooperative enterprise is sometime referred to as a "controversial issue" precisely because of the above considerations, it is deemed appropriate to clarify here the corresponding position of cooperatives, and to analyze to what extent their use may "prejudice" or "assist" permanent rehabilitation from economic and social standpoints.

1. The principle of voluntary membership, full recognition of private property of the members, and endorsement of individual initiative constitute the idealogical base of cooperation. All these features are, at the same time, the basic characteristics of that "free enterprise", in its broad meaning of the word, which is one of the slogans of the world democracy, for which we are fighting at present, and which contrasts with the system of compulsory economics of the fascist state. Cooperative enterprise in some countries may be regarded at present as a "new" device to unite individual economic efforts ("new" if compared with the "traditional" methods). It cannot, however, be contrasted to or identified with either an individualistic or a collective form of doing business: it is a method sui generis -- a "cooperative way" and as such it cannot prejudice or assist in establishing either a "collective" or an "individualistic" economic system. Cooperatives are often referred to as the "golden middle road" between the extremes of individualism and those of rigid collectivism. This may or may not be so. Under all circumstances, however, if approached objectively, cooperatives should be considered a form of manifestation of private initiative. And this manifestation takes place outside of that circle in which stands the problem of "individualistic enterprise versus collective enterprise".

2. From the standpoint of the technical application of various relief and rehabilitation measures, cooperatives may be regarded as a technical device to combine the advantages of large-scale management with small-scale ownership. Elimination of wasteful practices of small economic units may be always welcomed from the point of view of the efficiency of rehabilitation programs. At the same time, every step toward discrimination

in favor of more efficient large-scale enterprises will lead toward implications of a social nature and will prejudice building up that economic democracy which is expected to be the foundation of political democracy. In this vicious circle of rationalization of economic processes versus social interests of the people, cooperatives may render an exclusive service by virtue of their economic nature: Cooperative centralization and concentration of operations does not imply piling up either profits or power in the hands of a few; it leads only to further taking advantage of large-scale management.

3. Cooperatives are not a panacea to be applied with an equal degree of success in any country of the world. The Cooperative enterprise should not be evaluated in the light of experience of a certain country alone. Broad generalizations are always dangerous in the field of cooperation. A type of organization workable in one part of the world may not be successful somewhere else. It is true that the basic principles of cooperation are integral and international in virtue of their nature. Their application, however, should be always adjusted to the local economic and social conditions. Lack of experience and cooperative education, lack of efficient and intelligent leadership, attempts to achieve "miracles", imposing tasks on cooperatives which they are not prepared to accomplish, and misinterpreting their economic role, are some of the reasons of failure of cooperatives. The moral right and willingness of each given nation to use or not to use cooperatives within programs of relief and reconstruction, should be always considered a basic factor determining the action of relief and rehabilitation authorities.

In Yugoslavia the old Slav juridical notion of the cooperative working group -- "Zadruga" -- is still alive. The Zadrugas disintegrated as production and consumption communities comprising 20-60 members, but as smaller units of 4-10 members they are still subject to cooperative law. "Twenty to sixty percent of all present holdings still live (sic) in fact, under the regime of cooperative law", stated the report of Dr. R. Bicanic which was submitted to the Conference on Cooperative Systems in European Agriculture organized by the British Association for the Advancement of Science, London, April 15-16, 1943 20/.

In Algeria and Morocco, a peculiar feature of village life is the "Sof" -- cooperative fraternity -- similar to the primitive Chinese "tong". Before the war the French authorities wanted to change the economic system of the natives. They later decided to leave it intact and invited, instead, experts on cooperation from the International Labor Office in Geneva to survey possibilities of cooperative system in Algeria, since the population "était peu résistante et très persistante", as remarked the French observer M. Boissier 21/.

20/ Yugoslav Postwar Reconstruction Papers, Vol. III, #6.

21/ In free translation: "The population did not resist but did persist".

Upon his recent visit to the United States, Dr. Ladislav Feierabend, Finance Minister of Czechoslovakia stated: "It would be a catastrophe to put relief and reconstruction operations into the hands of private-profit agencies in countries like Czechoslovakia. Such matters should be handled through cooperatives" 22/.

At a press conference in New York on May 15, Sir William Beveridge declared that "The Consumer Cooperative Movement has an important role to play in organizing productive industry and in the set-up of industry to channel the demands of consumers, and to maintain steady employment" 23/.

Advocating cooperatives as a device for post-war rehabilitation attracts ever growing attention on the part of many statesmen, governmental agencies, scientific and public institutions. "Decreeing" cooperatives, however, would be against the very fundamental principle of cooperation itself, as cooperation is expected to grow from the bottom in a process of free competition with other forms of economic enterprise.

Endorsing or rejecting cooperatives in programs of post-war relief and reconstruction is, therefore, a question of accepting or opposing the movement of the people in countries where cooperation has taken root, rather than a problem of abstract evaluation of their merits and disadvantages.

4. A coordinated effort of world relief and reconstruction is first of all a problem of planning. At the same time, free enterprise is expected to serve as a foundation for free economic relations. The search for an organizational formula making it possible, on one hand, to preserve the economic freedom, and, on the other hand, to enable economic planning, has been a focal problem of the history of the socio-economic thought since the time of the last war. Cooperative enterprise being a fragment of planned economy within the prevailing economic system, opens up great possibilities and may serve as an invaluable instrument for democratic planning.

"Thus, the federal structure of the cooperative system, including agricultural producers' cooperative societies and urban and rural consumers' cooperative societies, makes it technically possible to establish and carry out a general scheme, and this does much to promote stability.... The planning system on which cooperative activity is organized is extended and completed by the endeavors which are made to link up consumers' cooperative societies and agricultural selling cooperatives societies in a more or less organic whole" 24/.

22/ Quoted from "The Cooperative Consumer", Vol. X, N9, May 17, 1943.

23/ Cooperative League News Service, release of May 20, 1943.

24/ International Labor Office. Cooperative organizations and the intervention of public authorities in the economic field. Conclusions of an Enquiry undertaken by the International Committee for Inter-Cooperative Relations, Geneva, 1939, p. 8.

A special committee for International Cooperative Relations was formed before this war on the joint initiative of the International Cooperative Alliance in London, and the International Confederation of Agriculture. In the report on the committee's inquiry into the problem of cooperative organizations and the intervention of public authorities in the economic field, published in 1939, the following words can be found: "The special value of the cooperative movement is that it deals with the underlying fundamental element of economic activity, and that the very principle on which it is based implies that it should follow a systematic policy of planning".

And when planning is that of the people, by the people, and for the people's benefit -- it cannot be opposed by anyone who is with the people.

June 1943
Washington, D. C.

V. J. Tereshtenko

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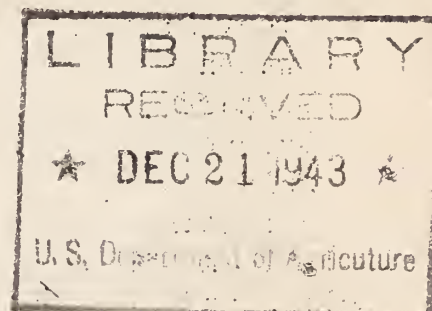
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COOPERATIVES
and
THE PROBLEM OF POST-WAR RELIEF AND REHABILITATION

Report prepared at request of the Office of Foreign Relief
and Rehabilitation Operations, Department of State

by
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A
Part II
Cooperative Housing



United States Department of Agriculture
Food Distribution Administration
Program Analysis and Appraisal Branch

June 1943

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PART II

COOPERATIVE HOUSING

In the United States, when the contemporary crisis in housing is discussed, cooperative housing is not mentioned often enough. This is not attributed to the weakness of cooperative methods as applied to housing, but mainly because cooperative housing is not adequately developed and known in this country, especially cooperative housing proper, excluding building and loan associations. Although it is recognized that cooperative housing is not a panacea for the immediate solution of the numerous aspects of the housing problem, nevertheless in many countries it was tried and proved to be very successful.

I

Concept of the "Housing Cooperative"

The diversity of forms, objectives, and methods of housing cooperatives is very great. The housing cooperatives, as to their organizational forms, range from savings associations in Denmark, and the earliest forms of the building and loan associations, to various garden city projects and "genuine" housing cooperatives. The characteristic features of a genuine housing cooperative are as follows:

1. Each member has one vote, regardless of the number of shares held.
2. The buildings are bought or constructed by the association as such and not by the members individually.
3. Each member owns shares in the association to the value of the dwelling he occupies and does not receive title to any individual dwelling; legal ownership is held by the association as a whole.

In actual practice a relatively small proportion of the housing cooperatives strictly adhere to all of the principles noted above. For instance, in a group of 35 associations in the United States, studied by the Bureau of Labor Statistics in 1936, in only 3 was each member allowed one vote on administrative decisions regardless of the number of shares held ^{1/}. In Europe, cooperative housing is almost always closely linked with either governmental or municipal aid, or both, in financing and building, and probably in no other branch of the Cooperative Movement has deviation from the accepted principles been so frequent. Under these circumstances it is sometimes difficult to draw an exact line of demarcation in defining what constitutes cooperative housing.

Also, authorities differ in their classification of associations in the housing field, and for this reason statistics brought together from various sources have to be examined carefully to be sure of their comparability. Thus the 10,073 housing cooperatives shown for the United States in the statistics of the International Labor Office, for the year 1937, include 10,025 building and loan associations (with five million members) that had erected their own dwellings and had qualified as regards observance of cooperative principles ^{2/}.

^{1/} U. S. Bureau of Labor Statistics. Monthly Labor Review, November 1937.

^{2/} International Labor Review, Vol. XL, #2-3, August-September, 1939.

At the same time the U. S. Bureau of Labor Statistics estimates the number of cooperative housing associations in the United States in 1941 at only 59 with 2,100 members ^{3/}. This striking discrepancy is explained by the fact that although the U. S. Bureau of Labor Statistics publishes data on building and loan associations, it classifies them as semi-cooperative only and regards them as financing rather than housing organizations. That the latter view is shared by the Cooperative League of the U.S.A. is indicated in a statement in its periodical, Consumers' Cooperation, that the build-and-loan association is "nothing more than a cooperative bank, which helps individuals to build their own homes by lending them money for that purpose at a fair rate of interest and giving them long-term mortgages on easy conditions."

It would be out of the scope of this report to analyze the theoretical question of whether building and loan associations in the United States and organizations similar to them abroad are "housing cooperatives" or "cooperative banks" helping their members to build homes. From a point of view of a practical consideration of the problem in connection with post-war reconstruction programs, one should keep in mind, however, that the motive of building and loan association is the same as that of housing cooperatives: service and not private profit. They could easily be adopted and developed into genuine cooperatives, and they certainly represent a manifestation of cooperative effort applied to the field of housing.

Member-owners in genuinely cooperative apartments receive back, over a period of time, at least part of their original investment, in the form of lower monthly payments ("rent") as the amount of principal owed is reduced. Cooperative housing develops the spirit of self-help and cooperative action by imposing upon each member the responsibility of joint ownership and operation of the building in which he lives. The democratic form of administration inherent in the housing cooperative gives the members a liberal education in democracy in action, creates a common bond among them, and goes a long way toward eliminating the usual indifference of the ordinary city dweller toward his neighbors. Joint activity in running the building may easily lead to other cooperative activities, such as operation of cooperative laundries, libraries, nursery schools, playgrounds, garages, restaurants, stores, cooperative purchase of ice, milk, electric current, etc. Because of the ownership factor and the personal interest of the member-occupants, there is always the incentive for proper maintenance of the building, so that cooperative property does not degenerate into slums or become a detriment to the community.

It is also difficult, sometimes, to distinguish between the bare form of cooperative enterprise, and the public utility or limited dividend society which often have many characteristics of the genuine cooperative. In Europe most forms of government aiding housing societies make no distinction between the different types of cooperative and quasi-public housing societies.

While many cooperative organizations in various countries employ the savings of members for financing construction, the majority obtain most

^{3/} U. S. Bureau of Labor Statistics. Monthly Labor Review, November 1942.

of the necessary capital by means of advances either from private credit sources, or from the state or municipality. Sometimes the capital is derived from private sources by first and second mortgages, with the state or municipality guaranteeing the second or third mortgage. In most societies the equity capital beyond the borrowings of the first, second, and even the third mortgages, is provided from the individual savings of the co-operators. In Stockholm the parent society Tenant's Savings and Building Society ("H.S.B."), under certain conditions assists in financing the equity through loans to the daughter societies. The latter, in turn, advance a portion of the equity payment of the individual members in return for notes. The notes are transferred to the parent society as security for its advances. As a result of such procedure, only a small cash payment is required of the individual co-operators, while the balance of the equity is payable in monthly installments.

Many housing cooperatives only rent the dwelling units to the members. This method permits the free movement of tenants but may be a detriment to a cooperative at such times when the competition of privately owned property is strong. Other housing cooperatives have for their purpose only the building of houses, which are then sold to the members. This procedure easily gives rise to difficulties in case the member finds it necessary to move.

It is a frequent practice for housing cooperatives to form federations for the purpose of providing leadership, technical assistance, and financial aid to member-associations, and arranging for the large scale purchase of materials and equipment, etc. Federations of housing cooperatives may be either of local or regional nature, or on a nation-wide scale.

II

Extent of Housing Cooperation

Analysis of the cooperative housing movement is very seriously handicapped by a lack of adequate comparable statistics. The difficulty originates in the great variety of forms of housing cooperatives. There can be, for instance, cases when cooperative housing associations are terminated as soon as houses have been built for all members. In some countries statistical records give only figures for the total construction of dwellings by the several agencies, which system does not make it possible to determine the success or failure of various projects.

The development of cooperative housing, (including building and loan associations) in some countries in 1937 may be seen from the following table 4/.

4/ Source: International Labor Review. Vol. XL, #2-3, Aug.-Sept. 1939.

<u>Country</u>	<u>Number of societies</u>	<u>Membership</u>
Austria	290	38,711 (in 192 societies)
Belgium	124
Bulgaria	10	28,541
Czechoslovakia	1,341	71,909 (in 577 societies)
Denmark	17	12,980
Finland	100	1,800
France	437	33,000 (in 316 societies)
Germany	3,650	736,757 (in 3,588 societies)
Great Britain	1,333	2,121,090
Italy	1,204	71,000
Netherlands	414
Norway	10	1,600 (in one society)
Poland	5/ 330	23,367 (in 296 societies)
Spain	13	63,566
Sweden	1,000	40,000
Yugoslavia	95	9,279 (in 83 societies)
Palestine	177	11,324 (in 131 societies)
India	200	6,300 (in 97 societies)
United States	6/ 10,073	6/ 5,002,248

The total number of cooperative housing associations in Europe in 1937 amounted to 10,747 with a membership of 3,261,163 in 8,908 societies.

Great Britain.— From the historical point of view the British Cooperative Movement was the first to be concerned with the housing problem. Although England developed the earliest industrial slums, as the price for her leadership in the industrial revolution, she also assumed the leadership, in the 1850's, in the movement to remedy slum conditions. The British Utopians contributed to the "garden cities" movement, and the garden cities of Letchworth and Welwyn produced that cottage-and-garden type of housing which has been considered traditionally an ideal for cooperative housing. The English housing cooperatives have practically all built their houses outside of the limits of the cities. However, most of these cooperatives have for their objective the financing of low-cost individual houses rather than cooperative ownership and management; they therefore resemble the American building and loan associations, rather than the genuine housing cooperatives.

Among the oldest British societies are the Woolwich Equitable founded in 1847 (apparently the oldest of the societies existing in Great Britain today), Leeds Permanent (1884); National (1849); and Halifax (1853). By 1890 there were 2,795 "building" societies in Great Britain, with 646,388 members. The Homestead Tenants, Ltd., one of the largest societies in Great Britain, has financed the building of over 5,000 houses. The local societies long ago federated into a national organization, maintaining a staff of architects and expert builders, and serving as a financial center and agency centralizing the purchases of building materials for member associations.

5/ The report, "The Coop. Movement in Poland", published by the Coop. Research Institute in Warsaw, 1936, gives 1,080 as the number of Housing and Building Societies in Poland in 1934.

6/ Includes 10,025 building and loan associations with 5,000,000 members.

Sweden.- Although the early housing associations bore little resemblance in their practices to the present accepted principles, it is nevertheless true that in Sweden, more than in any other country in the world, cooperative housing has been closely related to the general Cooperative Movement.

The earliest housing societies in that country were three associations formed in Stockholm between 1870 and 1880. In the Swedish capital housing conditions were such that, according to the Governor-General of Stockholm, "many respectable working men with their families had been forced to seek shelter in garrets and outbuildings where it was impossible for them to protect themselves from the cold." In the 15-year period beginning in 1870 rents increased by as much as 80 percent.

The early housing societies in Stockholm were called "housing clubs" (Bostadssallskap) or "workmen's housing associations" (Arbetarbostadsbolag). Since no appropriate cooperative legislation existed at that time, they were organized as stock companies. It was the practice of most of these societies to buy houses already built, which they then would rent (not sell) to the members.

The first important cooperative milestone was reached on June 21, 1916, when the Stockholm Cooperative Society was founded. This society, also, was primarily a rental society; to safeguard the tenant's leases, however, its statutes provided that the society itself could not break a lease if the tenant had lived up to the conditions of the contract. The tenant, however, was free to terminate the lease. Each tenant-member had to invest 10 percent of the cost of his apartment, in return for which he received the apartment at a rental much lower than the current rate. On withdrawing from the society, a member was reimbursed the full amount paid down, as well as accumulated interest. Thus 10 percent of the cost of the housing was furnished by the members; the other 90 percent consisted of loans (obtained mostly from the city).

The Stockholm Cooperative Housing Society is still in existence and is today one of the principal real estate owners of the city. In 1937, its houses contained accommodations for 2,000 families and its membership numbered 2,429.

In 1917, as a protest against the wild speculation in private real estate, and Tenant's Union was organized in Stockholm and Gothenburg. Gradually similar unions were formed in other cities and in 1922 all of them combined into a national society. In a letter submitted to the Swedish Government, the Stockholm Union asked permission to arrange a lottery with prizes aggregating about \$750,000. The surplus was to be used for the construction of 800 apartments for the members. The Government approved the plan and the next year the building program was started. The plan to continue the lotteries was, however, later vetoed by the Government under pressure of private owners. Not until 1922, when the housing situation went from bad to worse, was the plan resurrected. By that time it had become clear that only a firm and permanent organization could insure some systematic cooperative action. It was this need for a strong organization that gave birth to the idea of the Tenant's Savings and Building Society (popularly known as "H.S.B.").

The first H.S.B. society was organized in Stockholm in 1923 and was rapidly followed by others. A national H.S.B. association was formed in 1926. The organizational arrangement of the H.S.B. is as follows: Every cooperative building constitutes a separate local or "daughter society" which represents the members as owners of the building, attends to the management of the building, and functions as an economic and legal unit. In every city there is a parent society which organizes the locals, assists them in constructing the buildings and then turns the buildings over to them, relinquishing all further legal rights, except those specified in the contract.

All the parent societies are federated into the National H.S.B. Society. The latter operates as a financial center, obtains loan funds from the Government, sells "building loan certificates," and accepts from the members deposits in its savings fund. It has created a unified purchasing agency through which pass all orders for materials that go into the numerous H.S.B. houses; it also has an architectural office. A high standard of housing has been, from the very first, one of the chief aims of the H.S.B. It also has done a good deal to improve city planning in Sweden, today H.S.B. has numerous factories producing building materials, it has initiated a special "H.S.B. Home Protection Insurance" for its members; and has extended its activities to the development of a summer colony, "Arsta Havsbad", in one of the most beautiful seashore districts of Sweden. Cooperative nurseries and playgrounds are integral parts of almost every H.S.B. house. The recent achievements of H.S.B. are the so-called "Cooperative Child Hotels", where children are received for care when their parents for some reason cannot keep them at home or must be away for a few days.

Denmark.— In Denmark, comparatively few housing associations can be considered as entirely cooperative; the form and methods of the government aid which they receive provide all features of public, rather than cooperative housing. A number of them accept municipal or other government representation within the management in order to obtain government loans and other assistance. This representative has certain privileges, such as the right to demand re-mortgaging of properties, distribution of profits, etc. The rules and regulations of the society must be approved by the Ministry of Interior Affairs, which decides the extent of government aid, or by the municipality which decides municipal aid. Practically all properties of housing societies belong to the category of "high buildings" (apartment buildings). The few exceptions are societies of adjoining small houses. The chief point of the regulations for apartment buildings is that they must not be sold to the occupants, but are turned over to them for their use in accordance with various rules.

The Workmen's Cooperative Building Society, organized in Copenhagen in 1912, is an example of the genuine housing cooperatives in Denmark. Each apartment house of this society operates as a separate branch of the main society and is under independent management. The society itself therefore is somewhat like a federation of cooperative housing associations, and has not only been successful in its building activities but has also undertaken its own production of building materials.

Czechoslovakia.- In Czechoslovakia, housing cooperatives formed the most numerous group of three types of the so-called "public benefit housing", which constituted a significant part of the housing policy of the former Czechoslovakian Government. These cooperatives were under supervision of the Ministry of Social Welfare and were required to confine their activities to the construction of houses and to the sale or leasing of family dwellings and other available spaces in such houses. The Ministry was the authority in matters pertaining to the recognition of housing cooperatives as a public benefit, and acted in a general supervisory capacity over public benefit housing cooperatives. It was empowered to make occasional audits, to attend meetings or cooperate officials, and, of deemed necessary, to suspend members of managing or supervisory boards and name a special board to manage the cooperative, effective until such time as the cooperative members elect new members to the board to replace those suspended. The most fundamental feature of Czechoslovak-public-benefit housing cooperatives was their nonprofit character: bylaws of a cooperative, to be organized as public-benefit housing cooperatives, must have provisions limiting disbursements to members from net earnings up to 5 percent of the paid-in value of the member shares. The members could not have legal claim against the property of the cooperative if their membership lapsed or if the cooperative was dissolved; in case of dissolution, the net assets had to be used for further public benefit housing purposes. Officials in public benefit housing coops. could not have any material interest in their operations, except in so far as they wished to procure dwellings for themselves. Managing and supervisory functions were nonremunerative.

The public-benefit housing cooperatives were limited in principle to the construction of buildings with small apartments. In view of the fact that the maximum Government aid was given on dwellings containing apartments with floor space up to 180 square meters, most of the apartment houses built consisted of two-room flats.

There was no single central organization of public-benefit housing cooperatives in Czechoslovakia. There were, however, 27 auditing associations, uniting local housing cooperatives into the 3 following groups: (1) Association of Agricultural Cooperatives, combining 10 auditing associations, in which 189 housing cooperatives were organized. (2) Mutual Center Association of Cooperatives, combining 5 auditing associations with 407 housing cooperatives. (3) Financial Credit Association of Tradesmen Cooperatives, combining 5 auditing associations with 45 housing cooperatives. In addition there were 7 independent auditing associations uniting a total of 551 housing cooperatives. The associations were most numerous in the Provinces of Bohemia and Moravia-Silesia.

Poland.- Report of the Cooperative Research Institute, Warsaw, 1936, estimated the number of Housing and Building Societies in Poland at 1,080 in 1934. They built 75,000 rooms at a cost of 360 million zloty and had a special organization for the construction of buildings "Social Building Society". The most interesting society was the Warsaw Housing Society. It built a number of huge block-buildings, forming a separate town with its schools, libraries, cinema, central laundry, athletic field, and even a small zoological and botanical garden for school use. Its daughter consumer cooperative "Gospoda Spoldzielcza" and the education association

"Szkłane Domy" were furnishing commodities directly to the inhabitants of the houses, and developed extensive educational activities. The number of inhabitants of the Warsaw Housing Society exceeded 4,000.

Palestine. - Activities of Cooperative housing associations in Palestine attracted attention during the last 20 to 25 years because of the gravity of the housing problem. The seriousness of the housing situation can be seen from the fact that in 1933, 68 percent of the families of wage-earners in Palestine lived in one room or less as compared with only 6 percent in England. According to an official census taken by the municipality, 60 percent of these families in Tel Aviv consisted on the average, of 3 persons, although cases of 12 persons having been registered occurred in a few instances. Credit cooperatives, well developed in Palestine, made an attempt to advance loans for new construction out of their general funds. Such a method, however, was not recommended by the authorities on cooperation, as it is against the principles of sound economy and finance to make long-term mortgage loans out of funds received as demand deposits. The situation led to the development of special house building groups, often organized by credit cooperatives.

The first of such group was "The First Mutual Group for the Acquisition of Lots and the Building of Homes" organized in Jaffa in 1921. A member could subscribe to a maximum of 2 units of the Egyptian pounds 7/ (LE); he also had to pay an entrance fee of LE 3 per unit; monthly dues amounting to one pound per unit until the group ceased to exist; and additional sum of 50 mils per unit each month to cover administrative expense. According to certain schedule, usually twice month, lots were cast. The winner received the privilege of renting at a fixed rental of LE 30 per annum the building erected for him by the management of the group. During the existence of the group nobody could withdraw from membership, but could transfer his savings to another member, subject to approval by the Managing Committee. The number of members was limited to 250. They had to be from the membership of the cooperative association Halvaa Vehissachon 8/, with which the group was affiliated. All the members were expected to acquire homes in 11 years; after this the group would dissolve. The profit, if any, had to be distributed according to the decision of the general meeting; no more than 4 percent could be divided among the members, the balance would be spent for some public cause. To make possible the building of all 250 houses before its income warranted it, the group obtained a loan through the Halvaa Vehissachon. The latter association had 2 representatives in the 7 member management committee of the group; had the right to represent it before all other institutions, and kept its books.

Immediately after the first group, a second similar group was organized. In 1922, both groups merged. In 1924, the Halvaa Vehissachon of Jaffa organized another Building and Savings Group. In 1925 more groups were established by other cooperatives in Jerusalem and Tel Aviv, with some differences in organizational principles, but in general, modelled after that of the first group. By 1933, 7 groups were in existence.

7/ This was current in Palestine until November 1, 1927. Its value was $2\frac{1}{2}$ percent higher than that of the British pound.

8/ "Halvaa Vehissachon, Jaffa - Tel Aviv, Cooperative Society, Ltd." was the first urban credit cooperative in Palestine.

As a result of a great boom on building lots it was recognized that the construction of small family houses had become too expensive and in 1934 the Bank Kuppah Am of Tel Aviv introduced a new scheme of building cooperative apartments (Batim Meshuttafim) ^{9/}. According to this plan the Building and Loan Groups were concerned with granting loans, rather than with building activities. The members could build their homes anywhere within the Group's sphere of activity. The dwellings were one or two family homes. Each lot was used for at least 6 tenants, each of whom contributed about 1/6 of the cost. The plan provided also for the construction of a whole district consisting of three-story buildings containing 500 apartments.

Another institution prominent in the field of organizing housing cooperatives was the General Federation of Jewish Labor. Since 1928 it established a number of cooperative societies to help its members secure homes. In some cases houses were built by the cooperative society and then sold to members on monthly installments. In other instances the homes remained the property of the societies and were rented to the members for long periods of time. Another variation of the plan was to have cooperative houses in which each family had one separate room, but the dining room, kitchen and other conveniences were owned collectively. By the end of 1937, 27 cooperatives, organized by the Federation of Jewish Labor, built 1,730 individual houses and 670 apartments, mostly in and around Jerusalem, Tel Aviv, and Haifa.

In 1933, an attempt was made to coordinate activities of cooperative building and savings associations in Palestine. On September 18 of that year a special committee was elected at the meeting of "Merkaz" (the central body of credit cooperatives in Palestine) to study the question. A month later a meeting of representatives of Building and Savings Groups was called in Tel Aviv, at which meeting a committee was elected to prepare procedures for the establishment of new housing cooperatives. The whole attempt, however, went no further than the passing of a resolution by the committee to set up "a central cooperative society whose task will be to establish the activities of the Building and Savings Groups on new foundations" ^{10/}.

On June 30, 1938, there were on Register 174 housing cooperatives in Palestine. Their investment, however, represented only a very small percentage of the total building investments in Palestine.

III

Evaluation of Cooperative Housing in the Light of Post-War Relief and Reconstruction Programs

It is beyond question that housing cooperatives served an important function in a number of countries in helping to overcome serious housing shortages. However, in considering the eventual role of cooperative housing within the plans for post-war relief and reconstruction, both its advantages and disadvantages have to be kept in mind. They may be summarized as follows:

^{9/} See prospectus "Plan of Self-Housing Enterprise", published by the Bank.
^{10/} Mandah L. Bialik. The Coop. Credit Movement in Palestine. 1940, p. 96.

1. It is significant that a substantial proportion of existing housing cooperatives were organized by persons engaged in the same occupation. It may be, however, an arduous task to find homogeneous or congenial groups to become members, especially in large cities.

2. Even in those countries in Europe where cooperative housing is most developed, it did not reach the lowest-income group. Under all existing plans certain deposits are required of the occupants in a cooperative project to supply equity money. It is questionable whether the people in those countries first coming into the picture in programs of post-war reconstruction, will be able to supply the required amounts of money however small to carry out cooperative programs in the field of housing without substantial financial assistance from outside of cooperative groups. The difficulties in securing funds or credit by housing cooperatives themselves may be considerable.

3. Undoubtedly, the cost of constructing houses under cooperative schemes is less than would be the case of building dwellings individually. This difference in cost, however, varies greatly and depends upon the size of the cooperative, the efficiency of its organization, and a number of factors often beyond the members' control. Ability to obtain land at low cost, due to cooperative buying, is often a decisive factor in favor of cooperative housing associations.

4. While in other branches of the cooperative movement the theoretical question of "permanent injury to private initiative" is raised again and again by opponents of the cooperative movement, this supposed problem simply does not exist in the field of housing. It is generally admitted that housing needs are so great that cooperative housing associations are considered more as a stimulus for better housing than as a "narrowing down" of private initiative. In many countries much of the technical pioneering in the field of large scale housing has been done by the cooperatives. In programs of reconstruction an important contribution of cooperative housing may lie in the field of improvements in large scale designing housing constructions, and modernizing them.

5. In evaluating the potentialities of cooperative housing and the possibility of using its methods in programs of reconstruction, the problem of governmental aid becomes of primary importance. The methods of solving the housing problem may be roughly divided into four groups:

a. Commercial housing.-- Houses constructed by commercial builders as a commercial venture not only serve as homes to live in but also are investments and means of obtaining profits. As a result, the factors most closely affecting the occupant -- such as sanitation and choice of the site are for the builder primarily marketability features. Also, the tenant, usually regards the dwelling as temporary quarters only, and may therefore not be particularly concerned with its best maintenance. All of these factors, if not controlled, contribute considerably to crowding, congestion, and creation of slums.

b. Limited-dividend projects.— The limited-dividend method of housing is semiphilanthropic in nature. It is for the low-income groups that limited-dividend housing is designed. Although directed toward a real need, this type of housing project has rarely developed to the point of acquiring any considerable social and economic importance.

c. Government housing.— Government action in housing usually involves financial measures, such as direct subsidies from the central and local authorities, mortgage loans, advances of capital at low rates of interest, etc. Government action has proved indispensable in order to provide the lower income groups of the population with dwellings meeting the housing standards devised by modern science. At the same time two essential difficulties are usually inherent in it. The first is the difficulty of engaging the active interest of the beneficiaries themselves and of preventing destruction of the spirit of self-help. The second is of an organizational nature; public-housing experience all over the world indicates that the governmental machinery is often too complicated to insure a smooth administration of housing projects. As a result of this, government housing may become very expensive and its successes in regard to one part of the population may be attained at the expense of another.

d. Cooperative housing.— Although, by its nature, the latter, is primarily a form of self-help, various degrees of governmental support proved to have been important factors in the development of cooperative housing in Europe. In some countries this aid took the form of assistance in promoting and organizing housing societies, and giving technical assistance. In other cases material aid was given. In the early period after the last war outright subsidies were often made to cooperatives. During later years, however, such direct grants became rather rare. Exemption from taxation and from payment of interest over stated periods, stamp-duty free contracts, bond issues bearing no capital and no income tax, State or municipality guarantees of loans to cooperatives, and similar forms of assistance were more commonly employed than direct subsidies. Such methods may indicate the patterns for governmental financing of cooperative housing projects since they do not deprive the latter of their cooperative self-help nature, while providing substantial aid without which the post-war development of cooperative housing in devastated countries may be questioned. What can be achieved by proper coordination of governmental action and cooperative efforts of the people to help themselves was brilliantly illustrated by "reconstruction cooperatives" in France after the last war.

IV

Experiment with "Reconstruction Cooperatives" in Devastated Provinces in France after the Last War

The idea of using the cooperative enterprise as a tool for reconstruction of devastated regions in France, rebuilding and repairing material damages caused by the last war, was actually not a new one: an experiment of the same nature was made after disastrous inundation in Marne in 1910. The method brought good results and a great number of damaged buildings were restored cooperatively. The pioneers of reconstruction cooperatives ("Societes Cooperatives de Reconstruction") after the war were Fathers Thouvenin and Fiel. The movement started in the Province of Meurth-et-Moselle, where the first genuine "reconstruction cooperative" was organized

in February, 1919 (attempts along the same lines, however, begun in 1918). By March 23, there were 17 cooperatives already organized; by May 1 there were 60, and by the end of the winter of 1920 there were 200 reconstruction cooperatives in the province.

In the province of Aisne the first cooperative was organized in Blérancourt also in February of 1919; it was followed in May by a cooperative set up in Soissons, while by September 73 reconstruction cooperatives were already functioning in Aisne.

Organizational forms of new cooperatives varied considerably. Although special sample by-laws, for this new type of cooperatives, were later published by the Government, deviations were possible, and a great number of associations used for their legal basis the Law of July 24, 1867 pertaining to commercial associations.

The legal problem with reconstruction cooperatives was that they did not fit either to the type of cooperatives engaged in distribution nor did they fall into categorie of associations organized for cooperative production and the subsequent sale of their produce. Theoretically speaking they were "middlemen" between the owners of destroyed and damaged properties on the one side (eligible according to the laws for governmental aid in their work in reconstruction), and the State and various organizations (for instance, Unions of Architects, or Building Contractors) involved in the work of reconstruction, on the other side. The reconstruction cooperative was representative of any claims by its members against the State; it would adjudicate these claims; it would prepare the plan of work to be done, and then would organize its execution and supervision; it would choose the architects; it would attend to the financial and legal aspects of the work of reconstruction; etc.

Such cooperatives did not even have the kind of capital of its own which the French calls "capital social" (registered capital). Their assets consisted of (1) payments received from members for the organizational expenses fund; (2) subventions and reimbursable advances for organizational expenses received from the State; and (3) properties entrusted to the cooperative by its members. One should stress that the right of the legal ownership of such properties remained with the individual owners, and only their management and disposition were entrusted to cooperatives. The cooperative was also responsible for the disposition of the funds which its members were eligible to receive from the State against their claims. Membership in reconstruction cooperatives, according to cooperative principles, was voluntary; no member, however, had the right to withdraw (Paragraph 2, article 7 of the Law of August 15, 1920).

The French Government finally had to admit that reconstruction cooperatives are organizations sui generis, and the Law of April 17, 1919 recognized them de facto as a legal form of organization 11/. Additional laws and a number of ordinances were passed at later dates to regulate activities of reconstruction cooperatives. Among them the law of August 15, 1920 can be considered as a basic one. It defines the purposes of reconstruction cooperatives in the following words (Paragraph 1): "The associations have for their purpose to act for their members in all transactions related to reconstruction of real estate, especially in regard to adjudicating claims; execution and supervision of and payments for repairs and reconstruction, and reinvestments of advances and payments for which provision is made in the law referred to above."

According to the Law of August 15, 1920, the by-laws of reconstruction cooperatives should be in harmony with the governmental sample -- by-law, and in no community could there be more than one reconstruction cooperative established, unless the total amount of membership claims against the State exceeded one million francs. The cooperatives' right to choose architects, technicians and building-contractors, was limited to the names appearing on lists prepared for each province in accordance with special rules. Also, the auditing of books of reconstruction cooperatives was subjected to governmental control.

The governmental authorities on reconstruction anticipated that considerable difficulties would be encountered not only in reconstruction work itself, but also in preliminary organizational work which was supposed to precede it, such as adjudicating claims, planning programs of work, securing advisory services of legal and technical experts, etc. Accordingly, the ordinance of the Ministry of Liberated Regions of April 25, 1919 made it possible to receive from the Government advances not exceeding 1 percent of the total assignable payments (as determined by the Law) in the case of individual applicants, and not exceeding 4 percent in the case of reconstruction cooperatives. The money advanced could be used even for certain preparatory phases of construction work (for instance, erecting a warehouse for building materials) but not for the work itself. Twenty percent of the money assignable as an advance, could be received by beneficiaries upon application; the next 55 percent could be obtained after some justification of claim, while the remaining 25 percent could be advanced only after final estimate of the damages sustained.

11/ Article 6 (814) states: "Les attributaires ont la faculté de mettre en commun leurs droits à l'indemnité ou de les apporter en société en vue de la reconstruction d'immeubles ou de la reconstruction d'exploitations ou d'établissements agricoles, commerciaux ou industriels dans les conditions et dans les limites prévues aux paragraphes précédents."

Article 58 states: "Si des Sociétés Cooperatives se constituent en vue de relever les établissements ou les immeubles, détruits, elles reçoivent, au cas de non emploi par l'allocataire, même à défaut de cession consentie par lui, le montant des frais supplémentaires, aux lieu et place du fonds commun institué au paragraphe 2 de l'article 7 de la présente loi."

As to advances for the reconstruction work itself, the Law of October 12, 1918 limited them to 75 percent of the amount of damage as estimated by the Special Committee established by the Government by the Law of July 30, 1915. In the case of cooperatives, however, this limitation was raised to 90 percent, since it was recognized that the percentage of their organizational expenses is lower, than that of individual entrepreneurs; their work is more efficient, and organizing their control is simpler. Each reconstruction cooperative was expected to work out an annual plan of construction works. It was customary (although this was not the rule) to give preference to repairs of damaged buildings, and only after this to proceed with new constructions; agricultural establishments had priority over dwellings; widows of soldiers killed in the war were usually served first, etc. After the total financial requirements for a year was established, the cooperative could obtain 25 percent of the amount applied for. Each month every cooperative had to submit its report on expenditures to "Service de Contrôle des Coopératives" in order to justify requests for further advancements. After the first 25 percent advance was spent the necessary records and reports had to be submitted to the above "Service" before further advance payments could be obtained. This procedure was repeated until the whole yearly appropriation was used. To secure continuity of construction works the "Service de Contrôle des Coopératives" was entitled to advance up to 80 percent of the yearly total without waiting until the final checking and approval of the reports previously submitted was made.

Although direct financing by the Government was the backbone of the whole program, it was admitted that the task is too great to overlook any additional sources. It was also ~~assumed~~ that certain special projects will appeal rather strongly to the local population and the local financial market will be able to provide the necessary resources (for instance, financing the rebuilding of churches - the case of the "Société Coopérative des église dévastées de France"). Therefore, the Law of July 12, 1921 gave cooperatives the right to issue public loans. The subscription could be arranged either through a bank or on the financial market directly. The Law of December 31, 1922 made such public loan issues subject to authorization by the Ministry of Finance. In issuing loans, cooperatives might choose one of the five following methods: (1) to act individually and indicate their own names on the papers issued; (2) to unite for the purpose of the issue into groups such as cooperative unions, groups of unions, etc.; (3) to join another set-up having the right to make public loans (municipalities, communities, etc.); (4) to make arrangements to act through an emission agency; and (5) to participate in issuing the loans of the "Confédération Générale" ^{12/}.

Reconstruction cooperatives also participated in the program of obtaining reparations in kind from Germany. The applications of individual cooperatives in such cases were submitted through the Cooperative Unions to the "Service Commercial" of the "Confédération Générale". The latter was expected to find a trader in Germany and then the transaction was carried out through the regular channels of the Committee on Reparations. These types of operations did not develop to any considerable degree, however.

^{12/} This organization is referred to in the latter part of this report.

The total value of commodities so obtained amounted to 738 million marks by June 1922, of which amount 534 millions represented the value of coal delivered.

For the coordination of their work the organization of the auditing and legal services, educational activities, publication of bulletins, improvement in the methods of contacts with the Government, etc., reconstruction cooperatives organized into Cooperative Unions. The first of such Union was set up in the province of Meurthe-et-Moselle on June 9, 1919, although a provision authorizing the organization of such unions was made only in the Law of 1920 (article 11). The Law of July 12, 1921 treats the Unions in detail and authorizes them in certain cases to intervene in the yearly plans of construction works as worked out by their member-cooperatives. By January 1, 1923, there were altogether 35 Unions. "L'Union Soissonnaise", which had on October 11, 1922, 90 members with membership of 5,600, was especially successful in its activities. A further step toward the coordination of the activities of reconstruction cooperatives was the grouping of their Unions into "Federations d'Unions" (Federations of Unions). These were an important organizational link in dealing with the provincial government.

The organization at the top of the whole cooperative reconstruction program was the "Confédération Générale des Sociétés Coopératives de Reconstruction". Its plan was outlined at the conference in Paris called upon the initiative of the president of the "Union de l'arrondissement de Rethel" (one of the cooperative unions) on January 26, 1921. It came into existence on March 1 of the same year, and was recognized by the Law of March 31, 1922. The organization had for its task the coordination of the activities of the Unions and their Federations; working out standard forms of contracts with architects and engineers, as well as negotiating with the central organizations of the latter two; organizing courses for cooperative employees; acting as a liaison agency with the central Government, etc. The Federation organized periodic meetings with governmental representatives (the first of such conferences on August 30, 1921, was attended by the Prime Minister) and representatives of various professional groups. It was very active in floating cooperatives' loan issues, etc. On May 1, 1923, the Federation grouped 35 Cooperative Unions with 2,262 member-cooperatives uniting, in turn, 162,000 individual members with a total of sustained damages estimated at a milliard francs.

It was estimated that of 4,808 communes located on the territory which was a battlefield in France, 1,030 were destroyed completely; 1,235 half-destroyed, and 2,169 suffered some damage. Of these 4,434 communes, 2,672 were connected with programs of the work of reconstruction cooperatives. In the province of Marne, reconstruction cooperatives functioned in 258 communes of the 268 in existence. The following table illustrates the scope of reconstruction cooperatives on May 1, 1923 (see table on the next page):

It is estimated that about 27 percent of all repair work and 58 percent of constructions were done in devastated regions of France through reconstruction cooperatives. In the case of repairs the figures vary from 3 percent

Provinces	Number of cooperatives	Number of Cooperative Unions	Membership	Funds of cooperatives in million francs (at prices of 1914)
Aisne - - - - -	443	6	34,335	919
Ardennes- - - - -	158	3	9,150	250
Marne - - - - -	140	2	11,626	374
Meurthe-et-Moselle-	203	3	11,697	200
Meuse - - - - -	237	5	11,314	218
Nord - - - - -	260	8	29,435	460
Oise - - - - -	94	2	4,146	150
Pas-de-Calais - - -	296	1	32,052	671
Somme - - - - -	316	4	11,774	305
Vosges - - - - -	23	1	1,227	21
Total a/	2,170	35	a/ 156,756	3,568

a/ In his book "L'Oeuvre des Sociétés Coopératives de Reconstruction dans les Régions Dévastées", Pierre Caraud gives a total of 2,262 cooperatives with 162,000 members as the figures on May 1, 1923. The discrepancy probably originates in the fact that while the same book was used as a source for the above table, the former figures evidently also include statistics on cooperatives in provinces other than the main ten given in the table.

in the province of Vosges to 79 percent for Meurthe-et-Moselle. In the case of new constructions, the percentages were always higher and ranged from 35 percent (the province of Nord) to 76 percent (Meurthe-et-Moselle). The total sustained damage of the members of cooperatives was estimated at 13 milliard francs. The total value of the work done by reconstruction cooperatives reached 5,800,372,000 francs by June 1, 1923 ^{13/}. It is estimated that roughly 50 percent of all reconstruction work in the devastated regions of France was done by cooperatives. It is stated that the historic city of Reims, where there were only 15 houses left intact by the end of 1918 out of 14,000 standing in 1914, was rebuilt mainly by cooperatives.

The above-given figures speak for themselves. There was also no lack, however, of direct statements by French authorities as to their appreciation of the accomplishments of reconstruction cooperatives. On December 29, 1919 Tardieu, Minister of Liberated Regions, in outlining to the Senate the conditions under which the reconstruction program could be accomplished, referred to the organization of cooperatives as one of the necessary conditions ^{14/}. Two days earlier he had said that "each time when there was an opportunity to substitute a cooperative or agricultural syndicated program of work for efforts of the State", he was ready "to render them all possible facilities, help, personnel, and, if necessary, even subsidies" ^{15/}. In April 1921 when a budget for liberated regions was discussed in the

^{13/} Opus cited, p. 164. ^{14/}"il faut, enfin, que coopératives soient organisées d'une façon sérieuse et active ...". ^{15/} Opus cited p. 171.

French Parliament, the following statement was made by Desjardins: "In the most seriously devastated regions, those communities which have been glorified by the whole splendor of victory.....can be referred to today, due to cooperatives, as models for the work of reconstruction" 16/.

On February 7, 1922, Minister Reibel stated in the House: "I said that it was a duty of the Government to encourage private initiative. In all provinces this manifested itself, to varying degrees of intensity, in an especially interesting form: through cooperatives" 17/. The same Minister Reibel, in his report to the Senate, in March 1922, stated:

"Savings in terms of time and money were the results of using cooperatives in matters pertaining to reconstruction. The State considers it an advantage to be faced with a few hundred organized societies, instead of hundreds of thousand of individual claimants. The majority of the houses repaired, were repaired by cooperatives; the same is the case with the agricultural business-buildings 18/.

Reviewing the work of reconstruction cooperatives as a whole, Senator Marquis G. de Lubersac wrote in his preface to the book "L'Oeuvre des Sociétés Coopératives de Reconstruction dans les Régions dévastées" by P. Caraud (pp. VI-VII):

"These are the cooperatives to which numerous villages are obliged from having risen from the dead. Due to cooperatives and their Unions, the State was able with relatively small personnel to exercise control of payments of compensations granted to owners who suffered because of the war. This is an accomplishment of cooperatives: that the method preceded the action... I wish that those outsiders who are so ready to criticize us for lack of organizational spirit, would get acquainted at its source with that organizational order which prevails in some of our cooperative unions".

V

Conclusion

The experiment with "reconstruction cooperatives" in France can apparently serve as a pattern for such action as will be required after this war. The scope of the problem to deal with, will be much larger however than was the case in France. Considerable portions of the population of big cities in belligerent countries in Europe were evacuated and are obliged to live at present in small towns or villages with inadequate accommodations. Many thousands of Germans formerly living abroad are settled within occupied territories (for instance in Poland). Splitting households and transferring skilled workers to new factories as well as the continuous stream of refugees created additional needs for housing at a time when building activity declined considerably. The economic disturbances caused by the war led in 1940, to a decline of

16/ Opus cited p. 171.

17/ Opus cited pp. 171-172.

18/ Opus cited p. 172.

building activity of 89 percent in Belgium 19/ and Netherlands, 47 percent in Switzerland 20/, 36 percent in Norway, and 31 percent in Denmark. These figures should be much higher at present. To them will have to be added tremendous destruction of property caused by modern warfare in comparison with which the damage which confronted the French reconstruction cooperatives probably will be insignificant. Population relocation caused by the war will make the problem of housing more urgent than it was after the last war. In 1939, the death rate among evacuated children was so alarming (due to lack of proper hygienic facilities) that the national relief commission -- Finland's Folkehjelp -- had to consider the construction of houses and hospitals as a task of primary urgency and importance.

All the above data on the one hand, and the virtues of cooperative housing on the other hand, suggest the following two conclusions:

1. The urgency of the housing situation arising immediately after the liberation of occupied countries will not permit limiting the relevant phases of reconstruction programs only to long-range housing plans. Immediate "housing relief" will be needed. This brings to the foreground the question of pre-fabricated houses and the erection of temporary houses which can be easily moved from one town to another. As early as 1908 when Etna erupted and thousands of homes were destroyed in Messina in less than an hour, the Italian Government bought a number of pre-fabricated houses from Sweden to lodge the people who had been made homeless 21/. Also it was reported that during this war, in order to provide shelter for troops and those of the Norwegian population whose homes were destroyed during the invasion of Norway, the German Government reached an agreement with a Swedish firm, and a quantity of pre-fabricated wooden houses valued at approximately one million dollars was delivered to Norway.

The Finnish Government first received a gift of 2,000 pre-fabricated houses from the Swedish Government, which were erected in sections outside Helsingfors and then organized the production of thousands of pre-fabricated two-room wooden structures, using the facilities of the domestic sawmills. In Canada, it was reported 22/ that the Department of Finance was contemplating the introduction of a plan whereby pre-fabricated houses could be purchased on easy terms in those districts where acute housing shortages exist with the Department of Munitions and Supply arranging for the production of such dwellings.

The pre-fabrication method, in which technical skills have been concentrated in the factory-produced units, may come to be of the utmost importance since it shortens the time needed for construction to a few days only, and requires only a minimum of local labor provided the houses are simple and standardized.

19/ Banque Nationale de la Belgique. Bulletin d'Information. March 1940.

20/ Schweizerische Nationalbank. Monatsbericht. March 1940.

21/ See "Studies in War Economics", Report of the International Labor Office Series B, N33; 1941.

22/ C. M. Wright. The Place of Housing Policy in War Economy. Article in the Symposium published by the International Labor Office. Report Series B, #33. Montreal, 1941.

The chief reasons that such houses are little used lie in the fact that from a purely commercial and individualistic approach to the method of pre-fabrication considerable difficulties are met by the owners of such houses in disposing of them when the need no longer exists. Furthermore, it is not possible to organize profitable production on a large scale, since the amount of advance orders on the market is not sufficiently large. This situation can be changed only if methods of cooperative housing will be introduced in the field. At the same time pre-fabricated houses are the only logical method of "housing-relief" which may bring substantial and quick results when the number of people to be helped will be measured in hundreds of thousands.

2. As to a comprehensive housing scheme of a permanent nature -- an integral part of the socio-economic plans of post-war reconstruction -- it will require such astronomical amounts of investments, that solving the problem only by means of standard commercial housing, hardly can be seriously considered. Also for the governments alone, the burden will be probably too heavy. Only a combination of cooperative self-help with Governmental aid may solve the question. Therefore, the problem of cooperative housing, approached in the light of post-war relief and reconstruction, becomes a problem of finding the best possible form of coordinated effort.

If this is true in regard to the financial aspect of the problem, the truer it is from a purely organizational point of view; not only did the French Government consider it an advantage to deal with thousands of cooperatives, instead of hundreds of thousands of individuals, as Minister Reibel said, but so would any Government.

Prominently displayed on the wall of the office of the manager of the Amalgamated Cooperative Apartments in Van Cortland Park in New York, is a letter from the then Governor, Franklin D. Roosevelt, dated November 26, 1930. The letter contains one sentence, quoted from the late Charles Steinmetz, that should be particularly remembered by those who will have to cope with the post-war housing problem: "Cooperation is not a sentiment, it is an economic necessity."

V. J. Tereshtenko

June 1943

Washington, D. C.

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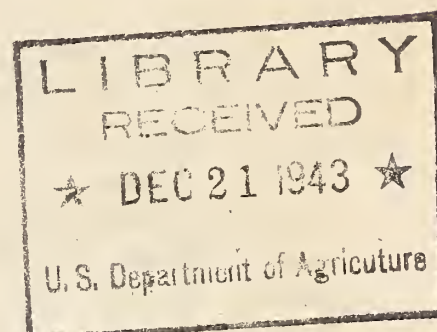
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COOPERATIVES
and
THE PROBLEM OF POST-WAR RELIEF AND REHABILITATION

Report prepared at request of the Office of Foreign Relief
and Rehabilitation Operations, Department of State

by

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A
Part III

Cooperative Group Health Associations (Cooperative Medicine) and
Programs of Post-war Relief and Rehabilitation

United States Department of Agriculture
Program Analysis and Appraisal Branch
Food Distribution Administration

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PART III

CO-OPERATIVE HEALTH ASSOCIATIONS (CO-OPERATIVE MEDICINE) AND PROGRAMS OF POST-WAR RELIEF AND REHABILITATION

I Introduction

It is generally agreed that the problem of rendering adequate medical help and properly organizing the system of medical care will constitute one of the most important phases of post-war relief and rehabilitation programs. Even the organization of an adequate system of food distribution may land nowhere if it is not accompanied by the establishment of a certain order out of that "chaos" in national health with which the relief authorities will be confronted in a number of liberated countries, especially in those where very low standards of national hygiene and medical care were prevalent even before this war. In considering eventual use of the cooperative movement as one of the possible methods of organizing medical help and rehabilitation, the following two features of the problem under consideration have to be kept in mind.

1. If at least two periods have to be recognized in relief and rehabilitation programs (period of shortage immediately following the end of the war, and "one of transition", using the expression employed in the text of a declaration of principles submitted to the International Food Conferences by the United Kingdom delegation), then, the first period probably will be much shorter in the case of medical help than it will be in many other phases of relief. It may be considered finished as soon as eventual epidemics and the wide-spread results of starvation will be brought under control and the necessary care will be taken of war casualties among the civilian population. The question of laying down some foundation of a permanent system of organization of medical care will arise rather soon. In the case of urban population this question will be predominantly a question of the technique of medical care. In the case of rural population, however, especially in such countries as Yugoslavia, Albania, North Africa or the Philippines -- the problem will be deeply rooted in and unavoidably colored by considerations of an economic-social nature. Pre-war world experience has shown that the problem of rural hygiene is closely inter-related with the whole problem of the organization of rural life. In countries where the standards of culture of the rural population are low, the "health-center" of any nature always gradually permeates the peasant's whole life. It reaches alike the child and his parents, the farmer and his wife. It becomes the seed of the rural community and civilizing element in the village, the doctor serving not only as a healer, but also as an educator, guide, adviser, and whatsoever. And if this is the case, then in considering the application of cooperative medicine in advance-planning of health, relief and rehabilitation one should be aware of the fact that it can, easier than any other form of relief, prejudice or assist permanent rehabilitation, both from the social and economic standpoint.

2. The cooperative group health associations, or "cooperative medicine", represent one of the most recent branches of the cooperative movement. The

popular use of the term "cooperative medicine", and even its scientific employment, has enshrouded its real significance with ambiguity. Various authors often use the term not as referring to a certain specific system of medical care, but as a term covering a great variety of unrelated existing and proposed systems, as contrasted to the traditional and prevailing system of medical care. Contract medical practice, club medicine, hospitalization plans, voluntary and compulsory health insurance, state medicine, group practice, and similar forms of medical care found in the literature on the subject, are often referred to as "cooperative medicine".

Under these circumstances a proper definition of "cooperative medicine" is necessary before one can proceed with consideration of possibilities of applying it as a method or organization of relief in the field of national health. Under these circumstances, any consideration of the possibility of employing cooperative medicine in programs of relief and rehabilitation, requires not only examination of the pre-war experiences, achievements, and shortcomings of cooperative group health associations, but also an analysis of cooperative medicine as such.

II

What is "Cooperative Medicine"?

The idea of cooperative group health associations originated in the lag between the development of medical knowledge and its application to those who require it. The existence of such a lag is recognized even in countries with high standards of living and well developed systems of medical care, as is the case in the United States. "We recognize the lag that exists between the development of medical knowledge and its applications to all who may require it", admitted Dr. Irvin Abell, former President of the American Medical Association, at the National Health Conference which met in Washington, D. C. July 18-20, 1938 ^{1/}. The existence of the problem in countries with lower standards of living and relatively undeveloped systems of medical care is generally recognized.

No difference of opinion can arise as to the ultimate aims of the solution of this problem. Medical service should be broadened; it should be based on the needs of the people; it should be coordinated; it should be organized so as to gain full benefit from the advance of medical science; and, finally, the professional interests of those who render the service, so invaluable as to the well-being of the nation, should be protected.

The existence of the problem, its nature and scope, and aims of the ultimate solution, do not give much leeway for interpretations, the question of method by which it can be solved is a wide but controversial subject -- and this is the point where cooperative medicine enters the problem. Conflicting views on the subjects can be traced back to two schools of thought. According to the first school, the whole problem of medical care can be solved simply by increasing the efficiency of the already existing system of medical care. It is assumed that that in itself is good, that its "machinery" simply needs to be better adjusted, oiled and cleaned; some of

^{1/} Proceedings of the Conference, page 9.

its parts may have to be repaired or renewed, the work of repairing constituting one of the regular duties of the engineers in charge of the mechanism.

The second school of thought does not believe that any adjustment in the old "machinery" of medical care can help the situation. It claims that the trouble is not with the working of a given "machinery" but with the machines themselves; they do not fit new requirements. The factory's board of directors has to authorize the buying of new machines, constructed on other principles and fitted to the new tasks; and then to permit the old, trained and experienced engineers to take charge of them.

From the economic angle the first school of thought calls for a direct relationship between the individual physician selling his services and the individual patient buying them and paying fees for each service received. This is a traditional system of private medical practice. The second school of thought creates an ideological foundation for cooperative medicine.

A sound definition of "cooperative medicine" must distinguish between "coop. medicine" as used in a broad sense of the term, (wherein "cooperation" means simply working together), and cooperative medicine in the specific meaning of this term applied to a certain branch or phase of the cooperative movement.

In subjecting the various forms of cooperative medicine to a broad interpretation of cooperation, they are found to have certain features of which the following are the most common:

1. Group control, group action and group practice.
2. Group payment of the costs of sickness.
3. Long-range planning in organization of medical care, especially as far as preventive medicine is concerned.
4. Rational adjustment between demand, supply, distribution and cost of medical services.
5. The inclusion of a disability compensation program, which is not in itself a primary part of a medical-care program, but is more and more becoming an integral part of cooperative medicine.

The enumerated features of cooperative medicine in its broad meaning of the word are sometimes referred to as the characteristics of "socialized medicine", as contrasted to the system of private medical practice. One should keep in mind, however, that the term "socialized medicine" is rather vague and does not suggest any specific method through which adaption of medical care to the needs of society may be accomplished. "This term (socialized medicine) means nothing more than the meeting of the social need for medical care." 2/ "I believe that I correctly state the attitude

of American physicians when I say that they believe in socialization of medicine when it is defined as the adaption of medical facilities to the changing needs of society", stated Dr. Arthur C. Christie, professor of radiology of George Washington University Medical College, and former president of the Medical Society of the District of Columbia 3/.

In contrast to "socialized medicine", cooperative medicine proper, in its specific meaning of the word, offers distinct methods and forms of organization of medical care. The fundamental idea underlying cooperative medicine proper is the application of cooperative principles to voluntary health insurance. From the standpoint of an analysis of various systems of medical care, cooperative medicine proper is simply one of the forms of health insurance; whereas, considered from its position in the cooperative movement, it is one of its branches devoted to the organization and rendition of a particular service upon so-called Rochdale principles. The machinery, through which the idea of health insurance is realized in this case, is the so-called "voluntary health association". Health associations are "organizations whose members have united voluntarily for the purpose of making available to themselves medical care and other health services on the payment basis." 4/

Cooperative associations, which are primarily economic enterprises based on the idea of self-help and mutual help, operate on certain well-defined principles, called the "Rochdale principles". These principles, as applied to cooperative medicine, are as follows:

1. Open membership, without restriction as to sex, race, religion, etc.
2. Democratic control, which expresses itself in the rule "one vote per member" (irrespective of the number of shares owned) and "no proxy voting".
3. Distribution of the surpluses resulting from the economic activity of the organization in proportion to the member's patronage, not in proportion to his holdings in shares on capital.
4. Religious and political neutrality.

In the case of medical services, general cooperative societies (while conducting stores and other enterprises) experimented in providing health

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- 3/ Address by Dr. A. C. Christie, "America's Town Meeting of the Air," New York, December 23, 1937. Before making the above statement, Dr. Christie explained that one must distinguish between "To socialize", meaning "to render social, to adapt to the uses of society" and "to socialize" in the sense of "to render socialistic, to adopt the principles and methods of socialism."
- 4/ The "health association" as defined by Dr. Kingsley Roberts, medical director of the Bureau of Cooperative Medicine, in a speech delivered at the National Health Conference in Washington, D. C., July 1938 - see Proceedings, page 114.

services for their members by organizing a medical department under the control of a representative board of directors. Sometimes special committees were appointed and placed in control of these medical departments, the medical service being either free to all members and paid for from the surplus savings of the cooperative, or available only to members paying special membership fees. The organization of medical services along these lines should not be considered merely a rudimentary form of consumers' control in the field of medical care. This practice has been growing constantly throughout the world, and more and more cooperative organizations are incorporating medical services into their general activities.

Coincident with this have developed consumers' cooperatives established for the sole purpose of securing medical service. In the formation of such a health association a group of potential patients establishes a cooperative organization which employs one or more doctors who may be grouped into an integrated staff so that each of the doctors may practice that field of his profession for which he is best fitted. The physicians may at first be compensated on a fee basis. When the number of members and the associations' assets reach a certain point, full-time employment of physicians at fixed salary usually takes place. The doctors, besides rendering medical service to sick members, are responsible for periodical health examinations of all group members and for giving necessary advice for the prevention of sickness. The association's board of directors is elected by the members of the organization, each member casting one vote in adherence to the Rochdale principles. The board provides the physical facilities; selects the personnel, and determines their remuneration; has charge of the general conduct of the enterprise; and protects the interests of the members. Neither directors nor members interfere with the work of the medical staff; medical matters are exclusively in the hands of the physicians. Each member of the organization makes periodic payments to the organization, the amount of which depends upon the number of subscribers and the scope of the service which the organization is able to render - such as partial or complete care, with or without hospitalization, etc. If the association is large enough, it can maintain its own hospital. The salaries of physicians increase as the association grows, and might also be increased if successful practice of preventive medicine results in a definite reduction of sickness in the group under control of a given physician.

No one plan of organization will fit all circumstances, local conditions and the composition of membership in each case playing a determining role in this regard. Universally, however, the following two characteristics must be considered as indispensable for any genuine health cooperative:

1. Consumers' cooperative control. - This type of control is exercised only in the administrative phases of the functioning of a group health association. In no respect does it interfere with the work of the medical staff and their personal practice of medicine. Consumers' control is applied by the Rochdale rules which establish the exact principles of one member-one vote, no proxy voting, open membership, and no racial, religious or political discrimination. The philosophy of such control is based upon the idea that each individual consumer has the inalienable right to determine for what type of service he shall pay, and how he shall pay.

2. Periodic payments. - No ordinary budget of a family with an average income can adequately cope with unexpected demands of sudden illness. The irregularity of medical expenses can never be budgeted by a single family. However, that which is impossible to determine in advance for an individual family can be determined by the element of probability for a group of families on the same basis as that adopted by insurance companies. Using the theory of probability, one can estimate the total cost of medical care for a given group of people registered with a given health association, and can then allocate the individual expenses to members. Such expenses take the form of periodic advance payments, usually to be made on a monthly basis. The amount of the payment depends variously upon local conditions, the scope of the service rendered by the organization, and the number of its members. The very same principle makes it possible to pay fixed salaries to employed physicians and to cover laboratory, hospital and other contingent expenses.

Such being the theoretical and organizational aspects of cooperative medicine, some experiences of cooperative group health associations in various countries are briefly outlined in a few of the following sections of this report, with special emphasis on Yugoslavia and India 5/.

5/ It may be of interest to note here that in the United States cooperative medicine for a long time freed obstacles primarily because of the decisions of most courts. These held that corporate practice of the professions was illegal. Included in that prohibition were the cooperative associations which were seeking to render medical services to their members through the employment of duly licensed medical practitioners. On March 28, 1938, Hon. Byron N. Scott, Representative from California, proposed in Congress a resolution authorizing the appointment of a committee to investigate the controversy between the Group Health Association of the District of Columbia and the Medical Society of the District of Columbia. On July 31, 1938, the Department of Justice accused organized medicine of illegal activities against the above Group Health Association and announced a grand jury investigation. The historical trial was not finished until January 18, 1943, when the U. S. Supreme Court delivered a unanimous verdict upholding the conviction of A.M.A. and the Medical Society of the District of Columbia by the United States Court of Appeals on charges of conspiracy in restraint of trade against the Group Health Association. The U. S. Supreme Court did not find it necessary to pass upon the defendants' contention that the practice of medicine is a profession and not a trade (and, consequently, cannot be subject to prosecution under the Sherman Act), but held that the fact that the Group Health Association was carrying on a business with which the medical societies were seeking to interfere, was sufficient.

III
Experiences of Cooperative Group Health Associations
in Various Countries 6/

In most European countries, there are many examples of cooperative health organizations. Denmark and Sweden make full use of cooperative principles in health protection. Cooperatives in these countries often provide a six week rest for parturient women, pay cash sick benefits, send members' children into the country on vacations, and systematically conduct activities for the protection and promotion of the health of their members. Similar services are rendered by British organizations.

Health service is also rendered regularly by a cooperative society in Ghent, Belgium. The health insurance section of the English Cooperative Wholesale Society provides members with free optical and dental treatment and with benevolent grants and convalescent home benefits.

France.— One of the well known clinics in Paris belonged to the cooperative organization L'Union des Cooperateurs, established in 1910. More than 30,000 members have used its clinical facilities. It also owns and operates three drug stores.

A special association "L'Enfance Coopérative", founded in France in 1922, devoted its effort to preventive work amongst children. Established originally as a regional organization it was enlarged to a national organization in 1927. In 1923, it opened a preventorium ("Aerium de Montplaisir") for pre-tuberculous children at St. Trojan on the Island of Oléron. In 1938, the preventorium was visited by 474 patients with an average stay of 56 days each. In 1926, "L'Enfance Coopérative" was recognized as an institution of public utility and obtained financial aid from the Government. It maintained sea-side and mountain holiday colonies visited by several thousand children every year. The affiliated societies of "L'Enfance Coopérative" comprised, in 1940, about a quarter of the membership of the French Consumers' Cooperative Movement. Each affiliated society was paying subscriptions ranging from Fr. 0.25 to Fr. 2 per member per annum.

Spain.— The cooperative hospital "La Alianza" was established in Barcelona in 1904. Before the outbreak of the Spanish Civil War it had a share capital of over Pts. 3 1/4 million, subscribed by nearly 500 affiliated associations with over 90,000 members. The hospital was managed by cooperative, trade union and other associations. The monthly subscription amounted to 50 centimes for each individual, or Pts. 1 for each family. The hospital provided accommodation for 60 patients, had special departments for maternity cases and infectious diseases, and a training institution for nurses. The members were entitled to make use of the hospital at reduced fees.

6/ The basic part of the data of this section are taken from: V.J. Tereshtenko, "The Problem of Cooperative Medicine", N. Y. C. 1940, second edition - 1942. Report of the Cooperative Project of the U. S. Bureau of Labor Statistics. Published by the Edward A. Filene Good Will Fund, Inc., 31 Milk Str., Boston, Mass.

Denmark.- The Danish Cooperative Sanatorium Association was founded in 1903. The necessary capital (Kr. 200,000) was subscribed by about 400 cooperative societies. In 1940, the membership consisted of over 1,100 associations with approximately 200,000 members. The organization possesses a sanatorium at Krabbesholm, accommodating over 100 patients, and a hospital for the treatment of rheumatic diseases. In recent years the organization had a deficit covered after joint consultations by the Government and the Cooperative Organizations.

Holland.- One of the best known examples of cooperative medical care is the Volharding Society of the Hague, Holland, established in 1882. Approximately 120,000 members are connected with its medical section. The society operates a dental clinic, a hospital, a daily clinic, and 2 drug stores; it also employs 40 doctors, 45 nurses and a large technical staff. The salaries paid to doctors are higher than the average earnings of Dutch physicians. One year's dues (equivalent to \$5.20 in American currency) provide full medical service to its members, and entitle members' wives confined at childbirth to receive groceries free of charge for two weeks and free bread for one week.

Poland.- The earliest cooperative health society in Poland was opened on Sept. 15, 1936, in the small town of Markowa, through the efforts of the Polish Union of Agricultural Cooperative Societies. Systematic research work on the subject was started as early as 1935 by the Polish Scientific Institute for Cooperation ^{7/}. In 1936, the Union of Ukrainian Cooperative Societies, in agreement with the Ukrainian Doctors' Association, took the initiative in founding a rural health cooperative society in Poland. This society provided medical treatment to non-members as well as to members, but members paid only one-third as much as non-members. Doctors were employed at monthly salaries and, in addition, received 80 percent of the sums paid by non-members for treatment. A special agreement with the druggists made it possible to obtain medicine at 20 to 30 percent below current prices.

Japan, Siam, China.- An article in the Tokyo Nichinichi of Nov. 28, 1936, gives an account of the great role which the medical cooperative society of Takamori Kiusliu, in the eastern part of Japan, played in the economic reconstruction of agriculture in the district. This Japanese commune (3,641 population) had contracted an indebtedness of 620,000 yen. On the average, each family in the community spent about 50 yen per year for medical care. With the support of the medical faculty of Kumanoto and of several other well-known doctors, the local cooperative decided to organize medical care on a cooperative basis. As a result, within a short period the financial status of the whole district improved considerably. At the same time, in spite of the fact that numerous families were visited by doctors at their homes, and the total number of persons who made use of the established cooperative medical institution was 8,788 in 1935, the cooperative society only spent 5,000 yen in that year for its health activities, the cost of hospital treatment being reduced to 15 yen a day.

^{7/} See Polish newspaper, "Kurjer Poranny", March 8, 1937.

The total number of cooperative hospitals in rural areas of Japan is estimated at 200. ^{8/} The number of cooperative health associations is reported to be growing rapidly. The movement started in 1925, resulting from a spontaneous revolt against virtually prohibitive costs of medical care, especially in rural sections; it was estimated that the medical costs amounted to 28 percent of the farmers' income. Through cooperative health associations proper, and through the inclusion of medical care into the scope of activities of various other cooperative associations, this cost was reduced to 9 percent of the farmers' income.

Both in Siam and China, cooperative credit societies became centers of cooperative health activities, although recently, under the influence of Russia, there is a noticeable tendency in China to follow the pattern of "socialized medicine", rather than to develop cooperative health activities.

The importance of the development of cooperative health associations for rural hygiene in the Far East was stressed at the Intergovernmental Conference of Far-Eastern Countries on Rural Hygiene. In the report of this conference we read:

"It is essential that, if rural work is to be effective, the various agencies engaged in that work - namely, the administrative departments and private organizations, if any - should not only cooperate amongst themselves, but they should also secure an adequate measure of cooperation from the villagers. ^{9/}

India and Ceylon. - An outstanding part in the history of cooperative medical associations has been played by India. Not only was the earliest cooperative health association proper organized there, but the later development of the movement has been especially rapid in that country. The pioneer of the movement in India was Dr. G. C. Chatterjee; the center of the movement, Bengal, where cooperative health associations have played an important role in combating the ravages of malaria, responsible for more than a quarter of the total mortality in that province. An Anti-Malarial League was founded in 1912 to carry on health propaganda. The first anti-malarial cooperative society was formed at Panihaty in 1914, although it was not incorporated under the Cooperative Societies Act until 1918. In 1919, the above Anti-Malarial League was converted into a central society for the cooperatives under the title of the Central Cooperative Anti-Malarial Society, Ltd. The purpose of this society was the "organization of a network of autonomous cooperative anti-malarial and public health societies throughout the province of Bengal for taking measures for eradication of epidemic diseases and to group these societies together for effecting larger sanitary measures and medical relief" ^{10/}. The Society carries on

^{8/} See Year Book of Agricultural Cooperation for 1939, issued by the Horace Plunkett Foundation, London.

^{9/} See League of Nations, Intergovernmental Conference of Far-Eastern Countries on Rural Hygiene. Report, Geneva, 1937, Official No. A. 19, III, page 51.

^{10/} Quoted from: Reserve Bank of India. Review of the Cooperative Movement in India, 1939-40, p. 53.

propaganda, acts as an expert advisory body in regard to primary cooperatives, and issues a monthly journal.

The total number of primary cooperative anti-malaria and public health societies in Bengal reached 1,099 with a membership of 21,728 at the end of the year 1939-40. The purpose of these societies is to educate members in public health and sanitation; to improve sanitation in the villages, to maintain dispensaries with qualified doctors and to supply members with medicine at cost price. With the aid of technical advice from the Government health cooperatives organize inspection of yards and houses, and improve water courses. A number of work projects is undertaken by societies to clear jungles, drain roads and swamps, and stock the ponds with species of fish which feed on mosquito larvae. Such projects are carried by the joint voluntary labor of the members. Vishva-Bharati societies became especially well-known because of their outstanding work in this field. The funds are raised by the issue of small shares. This share capital is supplemented by Government grants and public donations. Besides, there is an annual subscription of Rs. 4 per head from the members and the doctor's fees. A rate of four annas is charged for a call for the services of the society doctor.

An interesting experiment with cooperative group health associations was made in the district of Birbhum, one of the worst malaria-infected districts in Bengal. It was started on the initiative of the Vishva-Sharati Institute of Rural Reconstruction which, in 1930, sent a representative to study health cooperative societies in Yugoslavia. A plan was later worked out based on the assumption that any scheme of health improvement would ultimately defeat its own object, if it is superimposed from outside, if the beneficiaries concerned have no understanding of what is being attempted, and if it is financed solely from the outside. The first three cooperatives were started in 1932 and became self-supporting after only one year of activity. By the end of 1937 there were already 10 societies covering a territory of 93 villages with a population of over 30,000. By 1939 two more societies were organized. From August 1936 to July 1937 the number of visits of patients in seven cooperatives amounted to 14,548, while 2,007 visits to members' houses were made by the societies' doctors. About 40 percent of the population of the villages were covered by the scheme. All the societies grouped into a Health Union, maintaining a medical officer to supervise the work, the purchase of drugs, the employment of proper personnel, etc. The Health Union established a central laboratory, where most of the doctors met once a week to discuss difficult cases, carry on clinical examinations, etc.

Each of the Birbhum societies is formed with a minimum membership of 250 families, which may extend over more than one village. Membership covers the whole family. Payments may also be made in kind, such as land produce or labor. A small fee is required in case the doctor visits at home; medical advice at the dispensary, however, is given free of charge. Medicine is sold to members at cost price. Each cooperative is managed by a committee elected by the members, maintains a dispensary, and employs a full-time medical officer. The latter is required to keep a record of the health of every member of the community and furnish them with advice when necessary. Maternity and child welfare work, school health inspection,

educational propaganda, and the entire work of sanitation are also parts of the program of work of each cooperative group health association in Birbhum.

There are a few cooperative medical societies also in the province of Punjab. Their dispensaries, however, are maintained partly by Government grants. The societies function under the scheme of subsidizing medical practitioners to settle in rural areas and to be in charge of cooperative dispensaries.

There are not many cooperative health associations, as such, in other parts of India. It is worth while, however, to mention here that the local British Government has for years been using the Tholpuran Molai Union Cooperative Hospital, Ltd. in Ceylon as a center for the free distribution of quinine, while the Government of Madras was considering a comprehensive scheme of health cooperative societies as the most effective method in its 1939 plans for improving the health of the rural population of the province.

The plan, considered in 1939, had to be realized on the same principles as those underlying the scheme in Birbhum, described above. One society would be formed for a group of villages provided some of them would be more than 5 miles distant from the dispensary. Each member-family would pay annual subscriptions of Rs 1-8-0, payable in cash, in kind, or in labor. Construction of dispensaries would be financed by the Madras Provincial Cooperative Bank, other cooperative institutions, and, partly, by the Government. A central organization - Health Union - would be set up after a number of primary cooperatives is established.

In several provinces of India the work of the so-called "better-living" cooperative societies was important from the point of view of organization of rural hygiene. This type of cooperatives does not belong to the group of cooperative group health associations. However, insofar as better-living societies in many cases undertake the work of rural sanitation and the supply of medicines, they are closely related to the cooperative group-health associations. They originated in the Punjab. The United Provinces also has a large number of these societies, most of which started in 1939-41. Four-fifths of them are under the supervision of the Rural Development Department. Recently they had begun to be formed also in Bengal. Originally, better-living societies had for their purpose the reform of old social customs. Some of these customs, such as the elaborate celebration of weddings, frequently led to indebtedness of the rural population. Through the above societies the costs of marriages were reduced by as much as 50 and 75 percent. When the depression of 1929 made extravagance in marriage celebrations impossible, numbers of these societies turned to the improvement of the physical condition of their members, and thus have played an important role in the development of rural hygiene in India 11/. The "better-living" cooperative societies engage in establishing dispensaries, improving village sanitation, digging public wells, opening schools, improving roads, etc., and, thus gradually became one of the instruments of rural reconstruction of India.

11/ See: M. L. Darling. The Punjab Peasant in Prosperity and Debt. 1932.

Yugoslavia.-- Cooperative group health associations in Yugoslavia attracted much more attention from public health experts and economists interested in the rural community, than similar organizations in any other part of the world, with the possible exception of India. Their experiences are especially instructive from the point of view of the present programs for post-war relief and reconstruction, since the whole Cooperative Health Movement in Yugoslavia was the direct offspring of philanthropic efforts to provide medical care for the population after the Great War of 1914-18. The living conditions of the Serbian rural community of those days could be best described in terms of the published results of an inquiry made in 1912 by Mr. M. Avramovic (although there was a lapse of time between the year when the inquiry was made and the moment when experiments with group health associations were started it seems unlikely that any improvement in the situation could take place because of the effects of the war and the accompanying destruction). According to Mr. Avramovic, 12 percent of the houses had no window glass; 30 percent had no artificial lighting of any sort; 38 percent of the inhabitants had no beds; 8 percent had no stove of any kind; 95 percent had no safe drinking water; while 88 percent of the peasants received no medical attention when ill. Of 5,000 doctors available at that time in the country, 4,000 or 80 percent, were living in the towns. The following national proverb of Serbish peasants is rather illustrative of prevailing conditions: "If a man is seriously ill, prepare the candle and wait to see who arrives first - the doctor or death".

The movement started in 1921 in order to continue the work carried on by the American Mission which came immediately after the war to relieve the suffering population. The first group health cooperative was opened on November 21, 1921, in the town of Pozhega by Dr. G. Kojic, a pioneer in the movement (subsequently General Secretary of the Yugoslavia Red Cross). His services were shared by the Commission of the Serbian Child Welfare Association of America, and by Dr. Prohaska, Secretary of the General Federation of Cooperative Unions in the Kingdom of Yugoslavia, to improve the health situation in the rural community. Dr. Reeder, delegate of the above Serbian Association worked with him. The creation of a Union with headquarters in Belgrade in 1922 helped at once to give the movement impetus, and in 1934 it had already 114 member-organizations comprising 44,933 families representing over 270,000 persons (the average peasant family in Yugoslavia consists of 6 persons). They included among their members over 30 percent of the population of the districts in which they were operating. In the early days health cooperatives were often confronted with the active hostility of local physicians. The Act of December 30, 1930 put the associations on a definite legal basis and approved their tasks. They were authorized to carry out, on behalf of the State public health services; their pharmacies were exempt from the restrictive laws governing the establishment and the management of private pharmacies; the Act provided also that the Union of Health Cooperative Societies should receive permanent assistance from the State, to be included in the budget of the Ministry of Social Policy and Public Health. The State Central Public Health Institute set up a special cooperative health societies section and, since 1927, collaborated with the movement, providing cooperatives with objects for exhibit, grants for sanitation work, financial help, technical services, etc.

The Serbian Child Welfare Association of America, which took an interest in the movement from the outset of the program, closely followed its development, giving moral (on a few occasions even material) support and sending representatives to Yugoslavia every year.

Like other cooperatives, the Yugoslavian health associations are primarily associations of persons, and not joint-stock companies. Their members personally and directly share in the management with equal rights and obligations. The members' contributions constitute the share capital. The shares, depending upon the rules of a given association, vary from 10 to 100 dinars each, the usual amount being 50 dinars. In order to meet possible debts on the part of the society, each member pledges his financial responsibility to the extent of ten times his share. In many societies the working capital also includes a "health fund", serving as a sort of insurance against sickness. Payments to this fund are usually optional, but can be made compulsory by a decision of the general meeting. Such payments should be made monthly, but in practice are made mostly at harvest time. Payments in kind are also accepted (milk, cheese, etc., later sold by the agricultural cooperatives). Their amount varies in accordance with the size of the society (60 dinars a year in large societies). In financially strong societies the health fund may even provide free medical advice. One-fifth of the amount is usually earmarked for a relief fund, from which short-term loans may be granted for undertaking building, work for health purposes, or in case of illness or death.

The salary of the society's doctor (possibly also that of the nurse, if any) comes out of the society's general resources. It consists of (1) a fixed remuneration (with supplements for visits to patients' homes), fixed by an agreement between the Union of Health Cooperative Societies and the doctors; and (2) a variable remuneration, fixed by the management committee of each cooperative and approved by the Union, and depending on the number of members of the society and the number of examinations made.

A few rooms are usually rented in the village to constitute the headquarters of the association, and serve as a dispensary (often with showers or baths). More prosperous associations build their own "Zdravstveni Dom" (health house). The first of these were built at Banjani and Lazarevats in 1928. The health houses usually contain quarters for the doctor and his family, a fully equipped consulting room, sick rooms, baths, a small library, rooms for meetings and lectures, sometimes also a laboratory. It is not unusual for a health house to provide accommodations also for the other cooperative societies in the village, such as credit unions, stock improvement cooperatives, etc. Generally, a special fund is opened to build a health house, to which fund members subscribe contributions determined by the management committee. Often the amount of each member's contribution is fixed according to his means. The members also do voluntary work in preparing the ground, carting material, etc. The total value of such health houses was 3,240,863 dinars in 1935, the undertaking in Lazarevats, one of the best in the country, having cost a million dinars.

The fee for consultations, when not free under the "health fund", would be from 5 to 10 dinars, while medicaments were sold, on the average, at 30 percent below ordinary prices, still leaving surpluses to be added

to the cooperatives' resources. It was estimated, that in 1935 the total average expenditure for each sick person-member of the group health cooperative was at most one-third of what otherwise would have been necessary 12/.

The health cooperative societies are not merely concerned with curative medicine, but also with improvement of health conditions in general, the health houses serving as centers for prophylaxis and education. Using serum provided by the Central Public Health Institute in Belgrade, they organized free vaccination which was not restricted to members only. Almost all health cooperatives had health supervision for infants, children and mothers. It was the society doctors' duty to carry out medical inspection in the village primary schools. In Dalmatia four societies were fighting malaria. The Beljina society in Serbia made a swimming pool by draining the surrounding land, which had formerly been infested by anopheles. Health societies' sanitation work, mostly carried out by the villagers themselves, included laying pipes and drains, paving streets, constructing wells and refuse pits, etc.

Most of the health cooperatives had special juvenile and women's sections (started since 1931) to carry out educational programs, not limited by the field of health and hygiene, but extended to vocational training, improvement of agricultural crops and of stock raising. They were often credited with introducing new kinds of food into the peasants' diet, discovering new sources of income for the peasant household, organizing various courses, etc. In a few cases the women's sections of the health cooperatives were dividing the village into groups of houses; each group was entrusted to a responsible person who would give advice on cleanliness and tidiness in the home, supervising, encouraging individual work, and then making periodic reports. The houses most favorably reported on would receive as a reward utensils of which they were in need.

In 1934 the health cooperatives undertook the organization of veterinary services. Their program consisted of educational work and propaganda (in which work the cooperative stock breeding societies collaborated since 1936), organization of prompt care for sick animals at the lowest possible cost, collective measures to prevent disease, securing loans for owners of animals needing treatment, etc.

The latest available report of the Union of Health Cooperative Societies, covering the year 1938-1939, reveals that 134 of such societies were in existence in Yugoslavia, 125 of which had a total membership of 65,586 (representing around 400,000 persons). They employed 95 physicians who attended 136,187 persons during the year. The yearly turnover of 69 cooperative pharmacies exceeded 2.6 million dinars. The societies were running 25 health houses, of which 21 had sick rooms, and 4 were equipped with radiosopic apparatus. In 31 societies medical advice for pregnant and nursing mothers were provided free of charge. During 1938, 16,631 children from rural elementary schools were examined by societies' doctors. The number of veterinary sections reached 105 in 1938-39, and the number of their veterinary surgeons 37; 59,335 animals were vaccinated through the services of these sections. A large proportion of medical supplies and serum were produced in laboratories owned by cooperatives. In May

1938, 14 health and stock breeding cooperatives set up the first special **veterinary** cooperative society at Šabac, covering 37 villages and employing a group of veterinary surgeons.

The Union of Health Cooperative Societies was supervising operations of the primary cooperatives, was helping them in securing necessary equipment, training teachers, organizing courses. It fitted up a permanent traveling health exhibit in railway carriages and organized in 1938-39 a traveling dental clinic which visited all the societies. It was publishing one technical and one popular magazine, had special directors both for women and juvenile sections, organized a veterinary section and a section for combating plant diseases. The Union was especially encouraging those member cooperatives which were keeping medical card indices, and which were undertaking enquiries relating to the family and to general social questions. It was also the Union's function to receive on deposit and for interest the temporary surplus capital of the member-societies. According to the law it was also obliged to draw up regulations for the employment of expert staff by the health cooperatives, and to submit to the Ministry of Social Policy and Public Health a half-yearly report on its own work, as well as on the work of its member-societies.

The Union of Health Cooperative Societies was an integral part of the cooperative movement in Yugoslavia, having been a member of the Central Union of Serbian Agricultural Cooperative Societies, which in turn was a member of the General Federation of Cooperative Unions in the Kingdom of Yugoslavia.

Having set out to solve the problem of rural hygiene, the cooperative health societies in Yugoslavia were soon faced by the broad economic problem of the organization of rural life. While in Anglo-Saxon countries various rural organizations, farmers' clubs, juvenile clubs, etc., solve many problems of rural life, the experiences with health cooperative associations proved that in Yugoslavia, before this war, the rural problem was a single whole. There is no justification in thinking that the situation will be different after this war. Although the history of the group health cooperatives in Yugoslavia is not long enough to permit drawing any general and final conclusions, yet the successful experience with them is sufficiently rich to serve as a pattern for post-war reconstruction plans in the field of national health in the Kingdom.

IV

Advantages and Disadvantages of Cooperative Medicine

In an attempt to evaluate advantages and disadvantages of cooperative medicine as a possible method to be employed in the program of post-war relief and reconstruction, one should distinguish between the characteristics inherent in the nature of cooperative medicine as such, and those features acquiring importance in the light of programs for post-war reconstruction. An objective analysis of the former leads to a formulation of a number of "pro and con", for various systems of organization of medical care. Many advantages and undoubtedly, some disadvantages could be enumerated if the problem under consideration were approached from a purely theoretical point

of view. It is highly questionable, however, whether such an approach would be appropriate in working out plans for post-war medical relief and reconstruction. Whether or not cooperative medicine may be incorporated into such programs should be determined by considerations of a purely practical nature and by a realistic attitude toward the problems with which the authorities will be confronted in each given country, rather than by abstract virtues and disadvantages of cooperative medicine as such. Insofar as certain generalizations are possible and analysis of specific conditions in various countries could be avoided, the following disadvantages and advantages of cooperative medicine should be considered in the light of conditions with which it will be confronted abroad.

A. Disadvantages

1. Although cooperative medicine increases considerably the purchasing power of the medical dollar, thereby decreasing expenses for medical care, it does not provide for a system at such a low cost as to make medical help available to everyone. It does not solve the problem of medical care for the very low income group, unemployed, invalids, etc. If one agrees with the philosophy that the community as a whole should accept responsibility for such groups and philanthropy should not be expected to meet the demands of a comprehensive program of medical care, then the only solution for such groups as it is generally admitted, is in compulsory health insurance. Introduction of the latter system, of course, cannot be considered within the scope of the jurisdiction of those authorities responsible for the relief and reconstruction program in any country. Therefore, even if this feature of cooperative medicine is really a disadvantage, it still cannot be a decisive factor in evaluating its merits in the light of measures for relief and reconstruction.

2. Cooperative medicine faces obstacles and opposition from a certain group of physicians. This is true not only in the United States but, to some extent among the organized medical profession of most countries. It is pointed out that the "traditional" system of medical care has to be credited for the progress of medical science and, consequently, "it has worked"; that since only group of doctors themselves can give the service, only they can know how to administer these services, and any intervention by consumers is harmful; that presumable failure of the "traditional" system to serve all people originates in economic problems of a broader nature rather than in the system of medical care itself; that introduction of a new system will cause great confusion among already existing institutions; that the quality of medical care under the system of individual practice is superior to that under the system of cooperative medicine; that any regimentation of medical care will create a politically controlled system; that private practice is the only one adapted to the liberal philosophy of democracy; etc.

In an objective analysis of all the arguments given above and others which possibly may be presented, one must be aware of the fact that some of them are of purely domestic origin, reflecting conditions in this country only, and have no value whatsoever when applied to conditions abroad.

Great Britain is often referred to as the country most resembling the United States from the point of view of its socio-economic structure, cultural traditions, psychology of the people, etc., and yet, the following statement was made in 1938 by David Lloyd George, reviewing over a quarter of a century's experiences with compulsory health insurance in Great Britain:

"When, in 1911, I laid before the British Parliament my proposals for a scheme of national health insurance, they encountered a stern and growing volume of bitter opposition which surprised me by its intensity.... In the quarter of a century which has elapsed since it became law, this once-abused scheme has become one of the most popular elements in our administrative system. The nation would as soon think of abandoning it as it would of abolishing the Post Office. The medical profession, which at the outset viewed it with unconcealed distaste, now finds it a highly satisfactory source of an income considerably in excess of that which they formerly secured from the section of the public which it covers. The insured classes enjoy by means of it a degree of medical attention previously unknown, as well as a measure of financial security in sickness to which they were once strangers.... It is curious that the value and popularity of this well-tested system is not better recognized, particularly in the United States, where so much attention has for years been given to problems of health and hygiene. Its reputation in America suffers both from lack of information and from misinformation.... To Americans it should be of the greatest value in clearing away misconceptions and ill-based prejudices against health insurance, and placing at their disposal the practical results of our experience as a guide in their own approach to this vital social issue." 13/

If this has been the case with Great Britain, the post-war conditions in Yugoslavia, the Philippines or North Africa will certainly be less similar to the situation in the United States.

The seriousness of other arguments varies with each country. It is true, for instance, that the question of the relation of health cooperatives to government health centers in those parts of Yugoslavia which formerly belonged to Austria-Hungary, still had to be settled in spite of years of experience by the Government with the work of group health cooperative associations.

Still other arguments originate partly in professional interests of physicians, partly in their interpretations of such interests, which vary considerably. A survey of doctors' opinions on cooperative medicine made by Dr. Gallup's American Institute of Public Opinion in 1939 is very illustrative from this point. The replies to some of the Institute's questions were as follows:

13/ See Lloyd George's Foreword to the Book, "Health Insurance with Medical Care: the British Experience" by Douglas W. Orr, M. D., and Jean Walker Orr, N. Y. C., 1938.

Question 1. Do you approve of the principle of voluntary health insurance, where an individual insures himself medical and hospital care by making regular payments to a health fund?

Yes.....73%

No.....27%

Question 2. Do you think the movement for voluntary health insurance will grow in this country during the next 10 years?

Yes.....82%

No.....18%

Question 3. If voluntary health insurance is widely adopted, do you think it will increase or decrease the income of the medical profession?

Increase...51%

Decrease...49%

Question 4. Do you think the standards of medical practice are raised when physicians practice in groups, as in clinics?

Yes.....53%

No.....47%

These answers show that although many physicians object to changes in the traditional system of medical care in the United States, it would not be true to say that the medical profession, as a whole, opposes the idea of cooperative medicine. The more this is true in the case of foreign country where, in many of which the ideas of "social medicine" paved long ago the road to cooperative group health associations.

An objective analysis of the argument that the medical profession opposes the idea of cooperative group health associations and, therefore, this method should be excluded from programs of post-war relief and reconstruction, imminently raises the question formulated at the National Health Conference, 1938, by Mr. Charles W. Taussig, President of the American Molasses Co., and Chairman of the Advisory Committee of the National Youth Administration, in the following words:

"One of the first questions that we must ask of the democratic process is: Can it meet the recognized social requirements of our people? The American concept of democracy has never carried with it the implication of a changeless political, social, and economic order, yet it has become the habit of a certain group to brand every suggested effort to improve the conditions of the under-privileged and to make less cumbersome our governmental processes as being destructive to democracy. Totalitarians recognize such mass problems as we are considering here. They deal with them on a mass basis. But the genius of democracy lies in its ability to reduce the problem of the masses to its component parts of the individual human needs and desires, and to solve the problem on that front.... Let us remember that democracy is a sword as well as a shield, and that its purpose is not only to defend all liberties, but to make new social and economic conquests as well." 14/

It would be out of the scope of this report to answer or to comment on the quoted statement.

B. Advantages

1. Preventive medicine, important in itself, will be doubly important in the case of post-war relief. After certain results of immediate medical help will be achieved in the liberated countries, even the most general supply of medicine and medical services hardly will bring any further substantial results unless a comprehensive program of preventive medicine will be put into effect. Even the most uncompromising advocates of the individualistic system of medical care admit, however, that this system of medical care is a great economic deterrent to the utilization of preventive services: the consumer does not want or cannot afford to have additional expense for consultation unless he is driven to his physician by pain and discomfort, while the physician may refrain from engaging in preventive medicine because he does not wish to appear to solicit practice. Only under the cooperative system of medical care can this problem be solved: the less sickness there would be, the less work would there be for physicians serving on a salary basis. At the same time, the consumer would not be deterred by fear or lack of funds from visiting his doctor, since each consultation would be included in the periodic payment made in advance.

2. The often-heard argument that cooperative medicine presumably destroys the "traditional relationship" between the patient and his family physician hardly can come into the picture in the case of those countries where health-relief has to be organized: first of all, it cannot be questioned that in any country only a small minority of the population enjoys the luxury of having a "family doctor"; secondly, the system of cooperative medicine does not interfere with the practice of having a family physician by those who can afford it and prefer it.

3. It is generally admitted that the number of available doctors will be inadequate in comparison with the tremendous amount of work which will be expected from them after the war. The situation will be aggravated by the fact that all countries will face a vast and complicated problem of readjustment of medical personnel when the war ends. By the end of 1942, about 40,000 physicians, some 13,000 dentists, and over 30,000 nurses had been taken into the armed forces in this country alone. When they will come back they may find their practice has utterly disappeared.

When medicine is organized on the principle of competitive business, placing individual physicians in the position of tradesmen, a considerable amount of their valuable time and energy is spent for bookkeeping, collecting bills, disputes, suits and similar "professional worries". If medical personnel is to be used efficiently in reconstruction and relief work, then the doctor should be taken out of "business", and some provisions should also be made to induce physicians returning from the armed forces to settle in the less populated and poorer regions, which have never had their proper complement of doctors, instead of crowding into more prosperous areas.

"The doctor is not trained for business and should be taken out of it so that he can concentrate on his medical work without the worries of collections to cover his rent, electricity, car, and so forth," says Dr. Kingsley Roberts, president of the Medical Administration Service, N. Y. C. 15/.

"Medicine and business are opposites, and never the twain shall meet," adds Dr. Joseph Slavitt, chairman, American League for Public Medicine, quoting Dr. Morris Fishbein. Dr. Slavitt then continues: "...But medical care should be completely separated from business or actual consideration should be based on biological need, and should be provided only through a public professional organization such as a health department." 16/

Only the system of cooperative medicine solves this paradoxical situation. Referring to the British system of health insurance, Sir Henry Brackenbury, M. D., a member of the Royal College of Surgeons of England and chairman of the Council of the British Medical Associations, wrote:

"A large number of physicians find it a relief and comfort that they can now give full attention to many of their poorer patients without the thought that those patients will be afterwards distressed by the presentation of a bill. There is no evidence that the general quality of professional work has in any way deteriorated." 17/

4. The cooperative health associations are able to choose their headquarters and define the area of their activities on practical grounds and independently of the administrative areas. This makes it possible for them to be closer to their members to be in permanent touch with them, to know better the needs of their daily life. In working out programs of relief and reconstruction the importance of local problems versus those of the States as a whole should not be underestimated. In the case of rural hygiene the conditions may differ not only between town and country, but even between one village and another. Comprehensive programs of medical relief pertaining to various countries may be often hardly adaptable to given local conditions. Cooperative group health associations make such an adaptation possible. They eliminate the necessity for central authorities to make separate inquiries into a great variety of purely local conditions and adjust their work to the community needs themselves.

5. The problem of the cost of medical care is one of the decisive factors to determine what system of medical care should be adapted in programs for relief and reconstruction. It is generally recognized that the cost of medical services under the individualistic system is too high for an average family even in the United States.

15/ "What is Group Practice?" in Cooperative Health, Vol. 1, number 1, page 16.

16/ Proceedings, N. H. Conf., page 142.

17/ See "Doctors, Dollars and Disease," Pamphlet #10 of the Public Affairs Committee; Washington, D. C., 1937, page 22.

"Our knowledge of disease problems has run ahead of our capacity to apply it. There is small reason for satisfaction on our part if an iron lung shall be like a yacht, a luxury which may be purchased only by those who can afford it," says Dr. Thomas Parran, Surgeon General of the United States. 18/

"Today an operation properly and skillfully performed is a luxury which people of medium and reasonable means can no longer afford. It is simply useless and wasteful to spend time and effort in research, if people have to die by reason of their inability to obtain proper, timely, and skillful aid," declared the Honorable Fiorello H. La Guardia, Mayor of the City of New York. 19/

Twenty-eight percent of all personal loans made in the United States were made to pay medical bills. Forty percent of doctor's bills are six months overdue at the present time. Almost all these bills will never be paid in full. 20/ As organized at present, medical care is a costly service and none but the well-to-do can avail themselves of its benefits.

"Millions of our fellowmen have neither the substance nor the access to a hospital. Millions more go on neglecting their own and their family's health until they are driven to a doctor's office only to find out that they cannot avail themselves of needed care and hospitalization. Thousands die of cancer inexcusably, who could have been cured if they had only consulted a competent physician in time." 21/

One of the factors which considerably increases the cost of medical services under the individualistic system of medical care, is the high cost of equipment required for the office of a physician practicing alone. This cost of equipment is so extremely high that the average physician usually cannot afford to equip his office adequately. If he can afford it, he does so at the expense of his patients, swelling their bill and increasing the percentage of the sick who cannot pay for their own care.

Cooperative medicine solves the problem of reducing the cost of adequate medical service through the method of large scale operation. Per capita expense for consumers of medical service is lower when physicians are paid not individually by each of their patients, but are employed on a salary basis by organized consumers. The cooperative group health associations also make medicines and articles of hygiene obtainable at the lowest possible cost.

18/ Idem.

19/ Proceedings, N. H. Conf., Page 18.

20/ See "Doctors, Dollars, and Disease" Pamphlet No. 10 of the Public Affairs Committee, 1937, Washington, D. C.

21/ Dr. Michael A. Shadid, "Principles of Cooperative Medicine," pages 1-5.

6. Cooperative health associations can reach a much greater number of people than any other system of medical care, except that of compulsory insurance, and can provide more complete services than those usually furnished by various plans of hospitalization insurance.

7. Cooperative medicine preserves physicians' rights of collective bargaining with the cooperative health associations for their compensation and other phases of employment; whereas under State medicine physicians become simply employees of the State.

8. Cooperative medicine does not add to the tax burden of the population and, therefore, does not increase the expenses of Government. It is true that health cooperatives often receive financial aid from the Governments. Undoubtedly such aid will have to be extended to a considerable proportion and will be an additional burden in reconstruction budgets. By its nature, however, support and financial assistance of this type is temporary, since the cooperative group health association is a self-supporting institution in virtue of the organizational principles on which it is based.

9. Cooperative health associations escape the evils of bureaucracy inherent in other plans of medical care, such as "state medicine".

10. Cooperative medicine is a form of self-help. And it is well recognized that the rules of health seldom have much permanent effect if they are merely imposed without first winning the acceptance and active collaboration of the beneficiaries. Voluntary acceptance of rules implies the admission of a need actually felt.

The cooperative group health association can exist only if it has the full confidence and approval of the people concerned; it originates with the people themselves and depends on their will and decision; its members are both morally and materially bound with the organization, and can bear the burden of the whole work only if they are determined to make the necessary effort to meet their needs and create the means of doing so. And this is the most essential condition of the successful operation of any system of medical relief and reconstruction.

"The great problem for everyone who wishes to improve the condition of mankind is how to get mankind to try to improve itself." ^{22/} The cooperative health association provides the method and form by which this can be achieved within the scope of programs for post-war relief and reconstruction.

Washington, D. C.

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^{22/} Words of Senator Elihu Root; quoted from the International Labor Review, Vol. XXXII, #1, July 1935, p. 18.

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